An Appraisal of Computerized Life Insurance Estate Planning

EPHRAIM R. McLEAN

ABSTRACT

For over a decade, a number of life insurance companies have attempted to use the power of the computer to assist in the direct selling of individual life insurance policies. The chief form this assistance has taken has been the comprehensive planning of the customer's insurance needs. While this use has grown in recent years (from 17 percent in 1968 to 45 percent in 1970 among those companies surveyed by the Life Insurance Agency Management Association), there is nevertheless fairly widespread resistance to this technique, particularly among individual agents. Although preliminary evidence seems to indicate that larger sales do result from computer-aided selling, a closer look at the data suggests that these conclusions are flawed by the failure to take into account certain key variables. Thus the potential benefit from this application of the computer to life insurance marketing still remains to be proved.

With the development of electronic computers in the early 1950's, insurance companies were among the first to recognize the potential that this equipment had to offer in helping to improve and streamline home office operations. The large number of clerical activities, mostly highly routine, were in many cases tailor-made for computerization. Indeed, it is almost impossible today to imagine the task of policyowner accounting and record-keeping—to say nothing of actuarial analysis, employee payrolls, agent compensation calculations, and investment accounting, to name a few—without the aid of the computer.

But what of the vital task of selling the policy in the first place? How has the computer helped in supporting the sales effort? In 1967, the author made an initial study of the sales-related use of computers in life insurance marketing and recently had the opportunity to update his investigations. Although the technology has improved over the last five years, the types of sales applications have remained fairly stable. Basically, computers have been programmed to provide assistance in three major areas: in reducing

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the clerical tasks required of agents (so that they will have more time to sell); in providing sales statistics and analysis, both to management and to the agent, in order to improve sales effectiveness; and in producing direct selling aids for new and repeat business marketing.

It should be stressed that not all areas have been equally successful or that all companies have even attempted to innovate in each of these areas. For instance, in the specific area of interest in this paper—computerized life insurance planning—it was found that this technique is still confined to a relatively small number of firms.

In the first of the areas mentioned above—improved clerical procedures—some agents contend that the computer has added to their burden rather than lightening it and they long for the "simpler days." Many, however, recognize the benefits that result from improved policyowner accounting and the ability to make a variety of inquiries, frequently in "real-time." 2

As for improved sales management, there are any number of analyses that can be helpful in redirecting agents' efforts, in weeding out marginal producers, and in identifying marketing opportunities, to name a few. 3

Closely linked with the foregoing computer applications are those which aid more directly in the selling effort. For existing policyowners (frequently the best source of additional new business), companies have devised elaborate "tickler files," which provide the agent with the ability to do extensive follow-up on such things as conversion options, reviews on rated policies, family changes, and so forth. 4

It is in the area of new business selling, however, that some of the most interesting—and perhaps most controversial—developments have occurred; in particular, the use of the computer for insurance need programming and estate planning. It is this area that will be the focus of the balance of this paper.

**Life Insurance Estate Planning by Computer** 5

For many years, almost all insurance companies have done some sort of estate or insurance need planning. In many situations this proved to be little more than a seasoned guess on the part of the agent or a few short calculations on the back of an envelope. For the new and inexperienced agent, even this was frequently beyond his ability and he relied mainly on selling a few standard policies. In this latter case, therefore, it was only

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2 Aside from being able to obtain "instant" information on the status of policyowners' files without the need to maintain local records, the ability to get up-to-date information on pending applications is of vital interest to many agents. See John A. Allison, "Computer Marketing of Life Insurance," *Best's Review*, August 1970, pp. 16, 18, 80.


4 McLean, op. cit., pp. 76-95.

5 To be precise, no insurance company offers full estate planning, including the drawing of wills, the designation of bequests, tax planning, and so forth; this requires the services of an attorney. However, many companies use the term "estate planning" to refer to their comprehensive insurance estate planning programs; and it is in this latter sense that the words are used here in this paper.
chance when the policy being recommended by the agent coincided with
the policy which was most appropriate for the customer. Many companies
rationalized this possible mismatching with the view that, since the average
American is woefully underinsured, any insurance is better than none at all.

For other agents, however, especially those selling to upper income
brackets, insurance planning became more of a competitive necessity. Al-
though it was always possible to try for the quick sale, many agents realized
that it was both to their advantage and to the customers' to make a complete
life insurance estate analysis before recommending specific policies. These
analyses typically took two to four hours to complete, depending upon the
number of factors which had to be taken into account. Invariably this meant
that at least two visits to the client were required; one to collect the
necessary data and the second to return the results.

In addition, if the agent did the calculations himself, he lost a half a
day which could be used for other selling. For this reason, it was not un-
common for a big producer to hire an assistant to prepare such proposals for
him. Since these assistants were rarely paid by the company but by the
agent or the agency using them, this fact alone serves to illustrate the
agent's endorsement of such aids in the sale process. Of course, even with
an assistant working full time, only about 15 or 20 proposals a week could
be prepared, so their use was restricted to very large cases or relatively
"sure things." It is for this reason that the value of such programs is difficult
to assess—whether the planning is done by a computer or a human assistant.
This problem of evaluation will be discussed at greater length in the final
section.

Before continuing to a discussion of the use of computers to aid in
insurance planning, it should be recognized that other aids besides the com-
puter have been devised. Charts, slide rules, rotary wheels, tables, and
similar devices have been used to cut down the calculation time and, more
importantly (at least in the eyes of the agent), eliminate the need for two
visits. For some of the more comprehensive of these techniques, it can be
argued that they are at least as complete as the corresponding computerized
version. The ultimate test between the two methods is, of course, which
produces the best results—both from the company's standpoint as well as
the customer's—and here, unfortunately, no clearcut evidence exists. The
same problems of measurement which apply to computer-aided sales also
apply to these manual approaches; they will be discussed later.

An Illustration

For illustrative purposes, an estate planning program, developed by one
of the largest insurers in the country and frequently featured in its televi-
sion advertising, will be used.\(^6\) It was one of the first in the industry and
is still one of the most comprehensive. In conversations with the author,
one industry observer, who was quite familiar with the details of a number

\(^6\) As with many of the participants in this study, this company preferred to remain anonymous.
of these systems, felt that this company's was probably among the three or four most complete programs in the industry. As with its system to promote repeat business sales, this company realized the value of being innovative and has seen in the computer both a way to handle the mountains of data needed to make its Counseling Service feasible and a means whereby its policies and agents' service can be made more distinctive in the eyes of the public.

In practice, this computerized estate planning works as follows. During the first visit with the prospect, the agent performs a number of functions, not the least of which is gaining the confidence and trust of the client. This is essential so that a complete picture of the available assets and the desired survivor benefits can be included in the computer-produced proposal. Any major omissions would be very difficult to correct later. The agent also has to be sure that the client sets realistic requirements for the benefits which he wants for his dependents.\(^7\) When the benefits are expressed in terms of a monthly amount, it is all too easy for the client to set a figure which is so high that when translated into a lump-sum amount it is far beyond his financial means. As with omissions, it is quite difficult to make changes once the calculations have been made. In fact, once the computer print-out has been produced, the only thing the agent can do to make modifications is to revert to the back-of-the-envelope method.

The list of information required for this computer analysis is quite complete. The following outline gives some indication of the scope of these data.

1. Personal Data
   - Prospect's age
   - Wife's age
   - Children's ages (up to 8 entries possible)

2. Assets
   - Social Security
   - Veterans' benefits
   - Existing life insurance, both individual and group (including information on types of policies and, if for fixed terms, the payment period remaining)
   - Any other assets (the program is open-ended, so any number can be listed)

3. Lump-Sum Requirements
   - Final expenses
   - Mortgage (including years left to pay)
   - Education
   - Other special requirements

4. Regular Income Requirements
   - Monthly income expected from other sources* (e.g., company pension, etc.)
   - Monthly requirements
   - While children are growing
   - For the widow with grown children but before being eligible for Social Security
   - For the widow for life
   - As retirement benefits if the policyholder lives to be 65

* Social Security and veterans benefits need not be shown; they are automatically inserted if coverage is indicated.

Once these data have been gathered, the agent transfers the information to a one-page code sheet (usually done later at his office) and mails the sheet to the home office. Here the code sheet is key-punched and, together

\(^7\) For an in-depth study of the problems of setting realistic goals, see Life Insurance Agency Management Association, Life Insurance Goals: A Psychological Model, Research Report 1959-4 (File 940), Hartford, Conn. 1959.
with other proposal requests, is run through the computer. The results are shown on a preprinted form which indicates what each figure means. These sheets are then mailed back to the district office where they are picked up by the agent.\(^8\)

It is at this point that a very interesting, and somewhat atypical, step takes place. Although the computer-produced proposal report is quite straight-forward and almost self-explanatory, the results are transcribed to another form. When questioned why this is done, the designer of the system stated that he felt that it was best to keep the computer’s role in the whole process in the background as much as possible. Also, if the agent is in some way dissatisfied with the insurance program specified, he can use the computer-produced insurance need figures but ignore the policies suggested\(^9\) and insert his own policy suggestions (based usually on his estimate of the prospect’s ability to pay). Of course, if the prospect wishes to see the computer output, he may; it is not kept secret—it is just not made an integral part of the sales presentation.

The failure to use the computer output directly is very surprising, especially in view of the company’s effort to feature the role of the computer in its advertising campaigns. The system designer was asked about this seeming contradiction. "Well, I have no facts or studies to back this up, but I feel that people like to think of the computer as being somewhere in the background and that the proposal being presented to them is somehow the personal work of the agent. The use of the print-out itself would intrude too much on this personal agent-client relationship."\(^10\)

Once the information has been transcribed, the proposal is presented to the prospect. Since in many cases the proposal calls for more insurance than the client feels he can afford, the computer has also automatically produced two alternatives for slightly lesser amounts.\(^11\) From this proposal, or some modification of it, the sale is then made.

This service has been in operation for about eight years now and the current operating costs are estimated to be less than a dollar a proposal. In spite of the low cost (and no charge is made to the agent), the service is only moderately used. This is very distressing to the company since the average computer-assisted sale is about $15,000, or more than double the size of the average sale among district agents. The company further states that computer-produced proposals have subsequently resulted in over $150,000,000 worth of insurance purchased. The crucial question is: How

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\(^8\)A few companies use remote computer terminals to speed the transfer of information, but these terminals are required for other processing activities. It is extremely doubtful whether they would be justified for this application alone.

\(^9\)The computer is programmed to propose a combination of whole life and decreasing term insurance, the relative amounts of each depending upon the circumstances.

\(^10\)It is the author’s view that it was a concern for the agent’s resentment as much as for the client’s that prompted this procedure.

\(^11\)In the Life Insurance Agency Management Association study to be discussed in the next section, LIAMA reports that as many as eight different proposals are prepared for the prospect by one of the companies it studied.
much of this is due solely to the influence of the computer and how much 
would have been purchased anyway?

In discussing these electronically prepared proposals, a distinction should 
be made between those programs which are designed to determine the 
amount of insurance needed by an individual (whether or not these pro-
grams include specific policy recommendations) and those programs which 
merely make detailed cost and benefit projections for policies and amounts 
which have already been specified. These latter policy illustration services 
are merely computer-produced projections of premiums, cash values, and 
dividends based on current experience and are usually independent of the 
insurance need planning programs. These requests are typically for very 
large amounts of insurance for which no preprinted projections exist, or 
for special insurance “packages” combining permanent insurance, term, 
annuities, and other combinations. Also, projections can be made for odd 
amounts (e.g., $114,500); they need not be for even increments of 1000 
or 5000 dollars.

The LIAMA Surveys

Having described the experience of one company, it is appropriate to turn 
to a more broadly-based series of studies. The Life Insurance Agency Man-
agement Association (LIAMA), as a part of its continuing research activities 
on behalf of its members, has conducted a series of industry surveys on 
computerized life insurance planning or “programming services.” The most 
recent one was completed in September of 1970, with an earlier study 
done in December of 1968. For conciseness in reporting the results of 
these studies, direct quotations will be used wherever possible.

Extent of Service

The 1970 study found that

Of the 185 companies reporting to the survey, 45 percent [84 out of 185] 
have an electronic programming service. . . . [Table 1] breaks this down by 
company size. Those companies included in the ‘plan to offer’ column are 
ones with complete plans and definite dates of entry, as well as those with 
less-formulated plans. The companies that have discontinued programming 
services were asked to comment on their experiences. Three companies’ 
services ceased because of lack of interest on the part of the agency forces. 
One of these companies did mention that the initial response had been 
enthusiastic. The other company ceased the service because of dissatisfaction 
with the program itself, which had been obtained from an outside source.

The rightmost two columns in Table 1 offer a comparison of the growth 
which occurred in the use of these services between 1966 and 1970.

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12 “Electronic Programming and Policy Illustration Services (File 662.3) Products 
and Services—News and Trends, Bulletin Number 74, LIAMA, Hartford, Conn., 
September 3, 1970.

13 “Electronic Programming Services (File 662.3), Product and Services—News and 

TABLE 1
COMPANIES OFFERING COMPUTERIZED INSURANCE PLANNING SERVICES

<table>
<thead>
<tr>
<th>Company Size</th>
<th>Number of Companies Offering Planning Services in 1970*</th>
<th>Percentage of Companies Offering Services In 1970</th>
<th>Percentage of Companies Offering Services In 1966**</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Ordinary Insurance in Force, 1/1/68 or 1/1/66**)</td>
<td>Presently Offering Service</td>
<td>Plan to Offer Service</td>
<td>Discontinued Service</td>
</tr>
<tr>
<td>I (Over $2 billion)</td>
<td>23</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td>II ($1 billion - $2 billion)</td>
<td>12</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>III ($400 million - $1 billion)</td>
<td>25</td>
<td>7</td>
<td>-</td>
</tr>
<tr>
<td>IV ($150 million - $400 million)</td>
<td>14</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td>V (Under $150 million)</td>
<td>10</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>84</td>
<td>28</td>
<td>4</td>
</tr>
</tbody>
</table>


Service Activity and Sales Results

The percentage of the sales force, excluding brokers, that submitted one or more requests in 1969 was used as a measure of sales force activity. Only 29 companies could report. Two thirds of these companies reported that less than 50 percent of the agency force submitted requests. Ten percent was the amount most often mentioned (6 companies).

Only a third of the companies have the agents report on the results of using the programming service . . . [and only] 18 companies were able to report in the manner requested—the average number of sales per month in 1969 resulting from the use of the programming service. The average number reported ranged from .6 to 600 sales per month. The ratio of requests to sales ranged from approximately 1:1 to 1:10. The most frequently reported proportion was 1:3 (6 companies) followed by 1:2 (4 companies), and 1:10 (3 companies). A few companies were able to supply other comparative statistics [See Table 2].16

TABLE 2
SELECTED RESULTS FROM USE OF PLANNING SERVICE

<table>
<thead>
<tr>
<th>Company</th>
<th>Company Size</th>
<th>Year Entered</th>
<th>Programmed Business Volume</th>
<th>All Individual Sales Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>I</td>
<td>1962</td>
<td>--</td>
<td>21,800</td>
</tr>
<tr>
<td>B</td>
<td>II</td>
<td>1968</td>
<td>277</td>
<td>123</td>
</tr>
<tr>
<td>C</td>
<td>II</td>
<td>1955</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>D</td>
<td>III</td>
<td>1956</td>
<td>248</td>
<td>198</td>
</tr>
<tr>
<td>E</td>
<td>III</td>
<td>1965</td>
<td>375</td>
<td>214</td>
</tr>
</tbody>
</table>

Charges to Agents

Less than 40 percent of the companies (33 companies) assess a charge for the service. The charges range from $.20 to $3.00 with $1.00 the most frequent charge (12 companies) followed by $1.50 (5 companies), $2.00 (3 companies) $.20 (3 companies), and $.50 (2 companies). The two companies that offer the more involved analysis service charge $20 and $25.

Two companies reported that the agency is charged. In one case the agency pays the whole charge, and in the second the agent pays $1 and the manager, $2. Some companies offer new agents incentives to use the service. In one company the first program is free; in another, the first three; and in a third, programs are free for the first six months.\(^\text{10}\)

In analyzing the programs that have been developed by companies to perform this insurance planning by computer, it should be made clear that although all of the 84 firms cited in the survey have employed computers to aid in this planning, the results are not necessarily comparable. Some take into account only the value of Social Security benefits; others make a much broader analysis of all assets. Some determine only a single lump-sum insurance amount required; others make specific policy suggestions, providing several alternative solutions.

The purpose of this section was to present the extent and fashion in which computer-aided insurance planning is being employed by the life insurance industry. These data, once presented, unfortunately raise as many questions as they answer. In the following section, an attempt will be made to provide at least some of the answers to these new questions.

Appraisal of Computerized Insurance Planning

As the LIAMA survey points out, all of the firms which are now using computers to assist in insurance planning have experienced gains in both the size of the policy sold and in the amount of the premium received. And yet only 84 companies out of the 185 surveyed have such programs in operation (plus 28 which have programs under development). In addition, even among those companies that do provide this computer assistance, it is only moderately used. In over two-thirds of the companies surveyed, less than half of the agents made use of the service. The foregoing thus poses two questions: Does computer-aided insurance planning truly produce “better” sales? And, if so, why has it not been more widely used?

The Value of Insurance Planning

In examining the question of the value of insurance planning, there are really two viewpoints to be considered. One is the value of such efforts to the customer and the other, the value to the company. (The company is assumed to include both the company and the agent. The extent to which they may not share the same viewpoint is explored in the next section.)

From the Customer’s Viewpoint. From the customer’s standpoint, it is hard to see how this insurance planning can be anything but a benefit. This

\(^\text{10} \text{Ibid.}, \text{p. 3.}\)
is true whether the planning is done manually or with the help of the computer. As with any decision, a much more intelligent choice can be made if all the relevant facts are known. It may be that an individual may not wish to provide any inheritance for his dependents; or he may wish to have only enough insurance to cover his burial expenses. This is the individual's right (the protest of the insurance agent notwithstanding). However, it is indeed tragic when a person has a vague feeling that he has "enough" insurance and that his family "will be okay."

It is here that insurance planning can be of great value. By being able to determine accurately the amount of insurance needed in order to provide a desired level of income for one's family, the individual is clearly benefiting from the planning effort. It is impossible to translate mentally a lump-sum amount of insurance into monthly income amounts, especially when these monthly amounts will vary as circumstances change (i.e., the mortgage is paid off, the last child graduates from college). Thus the planning calculations provide a valuable guide in seeing whether one's present coverage is adequate and whether this coverage should be added to or reduced in the future.

The value to the customer of the second half of the typical insurance planning proposal—that of recommending specific policies—is much less clear, however. Because of insurance companies' desire to sell whole life insurance rather than term, the former is always included as a basic part of the proposal, regardless of the circumstances. This stems from the widely-held industry view that whole life insurance is inherently better than term insurance. In many cases, of course, it may be quite appropriate to recommend whole life insurance; but in many other cases, term insurance is preferable—and yet this is almost never included as a primary recommendation. If mentioned at all, it is usually as a term rider to a whole life policy. Because of this potential conflict of objectives (i.e., the policy which may be most appropriate for the customer may not be the most desirable or profitable for the company), the policy recommendation portion of the insurance planning proposal may be of questionable value to the client.

In all of the foregoing, no specific mention was made of the computer, for almost all of the benefits are present whether the planning is done manually or by computer. There are three contributions which the computer does make, however. The first is the greater accuracy which usually results from computer processing, especially in the case of young or inexperienced agents. The second is the ease of use and considerable time savings which the agent realizes. (This second reason is probably more of an advantage to the salesman than the customer; but the agent is much more likely to make the planning service available to the client if it is not tedious and time-consuming for him to do.) The final advantage of the computer is the sense of impartiality and authority which the computer output conveys. An interesting problem which arises from this is when does "impartial" become "impersonal"?
And the Company’s Viewpoint. Is insurance need planning a worthwhile endeavor for insurance companies? From the above, it appears that it is worthwhile from the customer’s standpoint. If insurance companies do not provide this service, other agencies might, such as law and accounting firms, and the companies would thereby lose a valuable sales opportunity. Also, from the figures presented it appears that computer planning produces markedly higher premiums and policy amounts for those companies employing it. But does it? A question which was posed earlier deserves repeating: “How much of this [insurance purchasing] is solely due to the influence of the computer and how much would have been purchased anyway?” The answer, regrettably, is that no one knows.

In compiling the figures used for the LIAMA survey, there was no attempt made to isolate the various elements which contribute to a sale. For comparisons of the type shown in the survey (and quoted by the officials of the company whose program was described earlier), a number of key variables must be controlled in order to establish a valid measure of the worth of the computer in aiding the sale process. For instance, is the computer service being used for only very large potential sales or relatively “sure things”? As an example of the former, the company in the illustration does not even offer its computerized planning service to prospects with annual incomes of less than $8000 per year. In practice, of course, the average annual income is much higher, meaning that the sales potential of the computer-aided client is significantly greater than the average customer. This fact in itself tends to bias comparisons in favor of the computer approach.

As a counter example, however, the designer of the electronic planning service which was described feels that many agents use the existence of the service to “get a foot in the door” and then proceed to sell a packaged—as opposed to tailored—policy. This use of the computer as a sales entree device is almost impossible to measure. In order to obtain a valid comparison, the following factors at the very least would have to be statistically controlled:

Income of prospect
Occupation and background of prospect
Agent using service
Pattern of use

In a study conducted in 1948, an attempt was made to compare one-stop “package” selling with two-visit “need” counseling.17 Here the results were grouped by income level (but nothing else) and in each case a small but significant improvement was achieved with the planning approach. An excerpt of the results of this study is shown in Table 3.

Although this study gives some indication of the value to the company using the planning approach, the same questions remain. Which agents use this service? Do they use it uniformly? Do they use it for “sure things” or

to gain a competitive advantage where several agents are vying for the same business? Has the use of the computer lessened or accentuated any of these factors? And, probably most important of all, does the slightly higher value of the average sale justify the expense of making two visits? The answers to these and similar questions await the results of further study and controlled investigation.

Attitudes toward Computerized Planning

While the evidence in favor of computerized insurance planning is definitely not conclusive, there is certainly a strong indication that this selling approach has produced improved results. The question that must immediately follow, therefore, is why has this service not been more widely used?

The first reason is quite straightforward; namely, that insurance planning and especially computer-assisted planning does not produce improved results. In spite of published figures and company endorsements, there is still a large segment of the industry which believes that such efforts have little value and generally are not worth the time and trouble. A former officer and present director of one of the fastest growing insurance companies in the country characterized these programs with one word—"a gimmick." 18

Even within companies which make this service available, there are considerable differences of opinion. Quoting again the designer of the system used in the illustration cited earlier, he stated that there is as much of a problem—if not more—in educating the agency managers to the value of computerized planning as in educating the agents.

Here we stress the value of the two-visit counseling type of selling and the agency managers tell their people 'I want to see a sale for every visit.' Naturally we can't expect the agents to use the service when it is clear to them that their immediate bosses do not have much use for it.

It is for reasons such as these that the usage of these planning services appears to be a function of the length of time which the service has been in operation. When first installed, there is considerable pressure from the

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18 Private correspondence with the author.
home office; and the agents and managers feel obliged to "go along." As a result, usage soars and, quite typically, sales improve.19

In some companies, there is an opposition to computer planning systems even in principle. The Director of Systems Planning for another major insurance company stated that a computer can never be of much help in determining insurance need, "This is a very subjective thing and nothing can replace the agent's perceptions of the prospect's needs and desires.20 The 'best' policy for each individual is what he wants and can afford." And another official of this same company added, "And besides, everyone knows that people underestimate their insurance needs and so the agents have to consciously oversell." The fact that these statements display a lack of understanding about the role of the computer is irrelevant.21 They do not "believe" in the value of computer assistance, and this attitude is reflected in the company's policy (i.e., computerized planning is not currently available, although its use is being investigated).

The same sort of attitude about the role of the computer is apparently present in the minds of many agents. There is a feeling that somehow the computer may produce recommendations which are for lesser amounts than the agent feels he could sell. Conversely, it may be that the prospect is made aware that the benefits he desires for his family call for much more insurance than he realized; therefore, he chooses to buy mostly term rather than ordinary insurance (which is correspondingly less profitable for the agent—and the company).

Such reactions, of course, are in no way unique. One of the biggest problems faced by any new system is the users' resistance to change. This phenomenon is not new; but more and more, systems designers are being made aware that they can neglect this fact only at their peril.

19 A serious question, and one which could justify a separate study, is the extent to which sales are "borrowed" from the future. It is quite possible that the introduction of a new sales technique like computerized planning may cause people to shift ahead purchases which they normally would have made later on. Thus there is an immediate sales increase—but at the expense of future sales. The possibility of this circumstance should be an even greater concern of those new systems which are aimed at increasing repeat sales.

20 In an experiment conducted by the Consumers Union to test "agents' perceptions," fifteen agents from five different companies were asked to recommend a policy for a hypothetical prospect. Although all agents were provided with the same facts, the policy recommendations ranged from $5000 to $24,145, with annual premiums varying from $210 to $1144. Consumer Reports, January 1967, pp. 15-16. In commenting on this Consumer Reports study, Joseph M. Belth stated, "It is probably true that many of those who sell life insurance are ill-equipped to provide sound life insurance advice to prospective buyers. And it is also probably true that, in many cases, the agent is more concerned with the sale than he is with the suitability of his recommendations." Joseph M. Belth, "A Note on the Consumers Union Life Insurance Series," The Journal of Risk and Insurance, September 1967, p. 489.

21 The individual, with the help of the agent, is still able to specify whatever level of benefits he wishes. The computer does not tell him how much insurance he should have (at least in the well-designed systems), it merely summarizes and projects his existing resources and indicates the amount of insurance necessary to augment these funds so that the total will be equal to the goal that he has established for himself.
As important as these foregoing considerations may be, they are far overshadowed by the almost universal objection of the necessity of having to make two visits. "Get the order and run is the standard routine in selling," states James Gollin in his angry book on the insurance industry.22 Although somewhat bluntly stated, there was nevertheless substantial agreement with this view by many of those with whom the author talked during the course of his interviewing. Not only does it require more time and effort to make two trips, but there is a very real possibility that the prospect may change his mind between visits. Or, even worse, after the ground work has been laid during the first visit, an agent from another company may be able to sell a "packaged" policy before the original agent can get back for the second visit. Finally, it is just more expensive to make two visits rather than one.

With the introduction of the computer to handle the planning calculations, the lag between obtaining the data and presenting the results has increased rather than decreased. This is due to the necessity of having to mail the information to and from the home office and the inherent delays in computer batch processing. The only exceptions are those companies that use remote computer terminals and on-line processing.

Summary

Since 1958, insurance companies have been using the computer in the preparation of life insurance estate planning. Over the years, the number of companies employing such techniques has grown markedly. In a 1970 study, LIAMA found that 45 percent of all the companies participating in their survey were offering computerized estate planning in one form or another. Also, many of these same companies reported substantially larger sales on average for "programmed business" as compared to all sales. However, these sales aids appear to be used by a relatively small proportion of agents in any given company—even in the instances where no charge is made either to the agent or the agency. Several reasons were presented as to why the usage of these services has not been more extensive, chief among them being the dislike of agents of having to make two visits to a prospect.

However, a more serious question is whether the use of the computer does in fact improve sales. In all of the figures reported, there was no attempt to control for income of prospects (most insurance estate proposals are only prepared for middle-to-upper income brackets), type of agent using the services (experienced vs. inexperienced, substantial producer vs. marginal producer, etc.), and pattern of use (to "get a foot in the door" for difficult prospects or for "sure things"?), to name a few important variables. Until there is more evidence on these factors, the use of computerized life insurance estate planning must be more of an act of faith on the company’s part than a proven quantifiable benefit.