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September 12, 1979

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MEMORANDUM

TO: Jack Mills  
Tobacco Institute

FROM: David Henderson *DH*

John Sledge, President of the North Carolina Farm Bureau, reported to me today that his insurance people in Raleigh had checked with the North Carolina Insurance Commissioner's Office and had satisfied themselves that the All State Life Insurance Company had made no formal presentation with regards to their no-smokers life insurance program. He said that they understood it was possible for them to deviate from their previous filing to some extent. I got the strong impression in our meeting with Mr. Seiler that they had "filed", and that John Ingram had requested additional information which, when filed with the North Carolina Insurance Commissioner, had resulted in "approval" of the plan.

Mr. Sledge also advised that there had been some press coverage and that he anticipated "that Sears and All State would get some backlash in North Carolina."

cc: Horace Kornegay ✓  
Fred Panzer

TI54353308

ALLSTATE LIFE INSURANCE COMPANY  
ALLSTATE PLAZA  
NORTHBROOK, ILLINOIS 60062

ROBERT S. SEILER  
SENIOR VICE PRESIDENT, SECRETARY  
AND GENERAL COUNSEL

312 291-5766

*Copy for  
Senator Cook*

September 11, 1979

Honorable Harold B. McGuffey  
Commissioner of Insurance  
Kentucky Insurance Dept.  
151 Elkhorn Court  
P.O. Box 517  
Frankfort, KY 40602

Dear Commissioner McGuffey:

On September 15th, Allstate Life will embark upon an advertising program featuring its Healthy American Plan, a whole life policy with premium discounts approximating 3% for non-smokers and 2% for persons who can pass the qualifying physical exam. The basic policy form has been duly submitted to your Department and has received the necessary approvals, where applicable.

The Tobacco Institute (a national trade association) has been in touch with us expressing concern about our non-smoker's discount asserting that it will be regarded as an attack upon the tobacco industry. We met with the Tobacco Institute last week and showed them our TV commercial featuring the Healthy American Plan. The only reference to tobacco in that commercial is the use of four words "because I don't smoke".

We have now been advised that people associated with the tobacco industry will be mounting a letter-writing campaign against Sears and Allstate because of our advertisement of the non-smoker's discount. We have already had inquiries from two members of Congress about this campaign. Since it is very likely that you, too, will receive some inquiries, we thought you might

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Honorable Harold B. McGuffey  
September 11, 1979  
Page Two

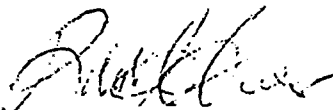
like to have some additional information about our policy, its premium discounts and the basis upon which we calculated our discounts. In addition, we've supplied you with information relative to what other companies are doing regarding non-smoker's discounts.

The concern of those associated with the tobacco industry is understandable. However, our advertising program is not an attack on tobacco nor do we attempt to persuade people to stop smoking. Objective evidence indicates that the non-smoker is a better risk. Equity and good business practice indicates they should have the benefit of that experience.

The Tobacco Institute itself is engaged in an advertising program seeking to achieve a sensible accommodation between smoker and non-smoker. It distinguishes in its ads between non-smokers and anti-smokers. Allstate Life is not anti-smoker. The Tobacco Institute also uses the slogan "Freedom of Choice is the Best Choice". We agree, yet actions by persons in the tobacco industry designed to economically penalize Allstate or to prevent it from advertising and selling its products are contrary to that slogan. Such action may be seen as designed to prevent non-smokers from getting the benefit of their choice not to smoke.

If you have any questions about this matter, please let us know.

Very truly yours,



ROBERT S. SEILER

RSS:ka

Enclosure

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ALLSTATE LIFE INSURANCE COMPANY

Non-Smokers' Discount

Listed below are some items that were considered in the process of adopting a non-smokers' discount for our personal life insurance:

1. The Framingham Study indicated the probability of dying from cardiovascular-renal (CVR) diseases or cancer was much higher for smokers than it was for non-smokers. Furthermore, those that smoked more than one pack of cigarettes per day had a greater probability of dying from CVR disease or cancer than those who smoked less than a pack a day;
2. Numerous other studies, such as the Albany Cardiovascular Health Center Study, the Chicago People's Gas Company Study, the Chicago Western Electric Company Study, and the Tecumseh Study, also substantiate a higher mortality rate for cigarette smokers than non-smokers;
3. Allstate Life Insurance Company's statistics indicate that a high proportion of the deaths of those insured by our personal life insurance policies result from CVR disease and cancer (see Exhibit A);
4. The Surgeon General's Office, over the past 15 years, has issued several reports which concluded cigarette smoking may be dangerous to a person's health;
5. During this past year, the former Secretary of HEW, Joseph Califano, wrote Allstate Life Insurance Company (and, we believe, most major life insurance companies) inquiring whether or not we recognized the lower mortality rate of non-smokers in our pricing structure of personal life insurance;
6. In 1964, State Mutual Life Insurance Company became the first major life insurer to offer a reduced rate on life insurance for those people who did not smoke cigarettes.

State Mutual has indicated that its experience over the past fifteen years demonstrates better mortality for those individuals who qualify for their non-smokers' discount. However, State Mutual considers its statistics on the savings in mortality to be of proprietary interest and has not released this data to the rest of the insurance industry;

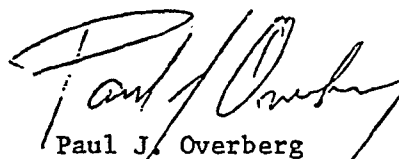
ALLSTATE LIFE INSURANCE COMPANY  
Non-Smokers' Discount

7. Other life insurance companies have followed State Mutual in offering non-smokers' discounts for personal life insurance (see Exhibit B). We have compiled this information from various published sources, but we do not know for certain whether or not these companies offer the non-smokers' discount in all states in which they are licensed. To our knowledge, none of these companies have released their mortality experience;
8. There is much objective evidence available that clearly shows non-smokers will, on average, live longer than smokers. There is, however, a dearth of statistics on insured lives.

We don't know how many of our new insureds are non-smokers and we also don't know in dollars and cents the exact amount the premium should be reduced for non-smokers as compared to smokers.

Because of these unknowns, we have initially limited our discount to one plan of insurance. As our experience develops, we may expand the discount to other plans or eliminate it on this initial plan.

The actual discounts were calculated by applying reasonable assumptions as to the reduction of deaths at each attained age of non-smokers as compared to smokers. A comparison of our discount with several other companies is attached (see Exhibit C).



Paul J. Overberg  
Senior Vice President  
and Chief Actuary

September 11, 1979

Exhibit A

Allstate Life Insurance Company

Personal Life Insurance

CVR & Cancer Deaths in 1977

<u>Issue Ages</u>	<u>% of Claims resulting from CVR &amp; Cancer</u>
20-29	22
30-39	59
40-49	74
50-59	77
60-69	72

EXHIBIT B

Companies That Offer Preferred Premiums  
for Non-Smokers

Acacia Mutual  
Aetna Life  
American National

Berkshire Life  
Colonial Life  
Columbian Life

Confederation Life  
Connecticut Mutual  
Farmers New World

Farmers Traders  
Gulf Life  
Home Life

Indianapolis Life  
Jefferson Standard  
Kentucky Central  
Lincoln National  
Manhattan Life  
Mutual of New York

Mutual Security Life  
National Fidelity Life  
National Home Life

National Life (Vt.)  
New England Mutual  
Occidental (N.C.)

Ohio State Life  
Pacific Mutual  
Paul Revere Life

Phoenix Mutual  
Pilot Life  
St. Paul Life

Security Mutual (N.Y.)  
State Mutual of America  
Travelers

Union Central  
Unity Mutual

## Exhibit C

Companies That Offer Preferred Premiums  
For Non-Smokers

Whole Life - Male Age 25

<u>Company</u>	<u>% Discount*</u>
St. Paul Life	10.6
Gulf Life	7.5
Travelers	6.0
Acacia Mutual	4.8
Jefferson Standard	4.0
Pilot Life	4.0
Connecticut Mutual	3.7
Indianapolis Life	3.2
Union Central	3.2
New England Mutual	3.1
State Mutual of America	3.0
Home Life	3.0
National Life (VT)	2.9
Allstate Life	2.6
Berkshire Life	2.6
Mony	2.5
Aetna Life	2.4
Farmers & Traders	2.4
Lincoln National	1.9
Pacific Mutual	1.7
Security Mutual (NY)	1.6
Phoenix Mutual	1.0
Paul Revere	0.8
National Fidelity	0.8
Confederation Life	0.7
Manhattan Life	0.6

\* Sources include The Diamond Life Bulletin, Best's Flitcraft Compend, or individual company ratebook, where available.

NOTE: Some companies may require more than just non-smoking in order to receive their discount, such as build and blood pressure requirements.



## Exhibit C

## Companies that offer Preferred Premiums

## for Non-Smokers

## Whole Life - Male Age 35

<u>Company</u>	<u>% Discount*</u>
St. Paul Life	11.7
Travelers	10.8
Gulf Life	7.6
New England Mutual	5.0
Jefferson Standard	4.7
Pilot Life	4.7
Acacia Mutual	4.4
Connecticut Mutual	4.2
National Life (VT)	4.1
Mony	4.0
Berkshire Life	3.7
Union Central	3.7
Home Life	3.6
Phoenix Mutual	3.6
Security Mutual (NY)	3.5
State Mutual of America	3.5
Aetna Life	3.4
Allstate Life	3.3
Indianapolis Life	3.3
Pacific Mutual	3.0
Farmers & Traders	2.9
Lincoln National	2.7
Paul Revere	2.0
Manhattan Life	1.2
Confederation Life	1.1
National Fidelity	0.8

\* Sources include The Diamond Life Bulletin, Best's Flitcraft Compend, or individual company ratebook, where available.

Note: Some companies may require more than just non-smoking in order to receive their discount, such as build and blood pressure requirements.

## Exhibit C

## Companies that offer Preferred Premiums

## for Non-Smokers

## Whole Life - Male Age 50

<u>Company</u>	<u>% Discount*</u>
St. Paul Life	15.7
New England Mutual	7.9
Travelers	7.2
Connecticut Mutual	6.3
National Life (VT)	5.9
Aetna Life	5.8
Phoenix Mutual	5.7
Jefferson Standard	5.3
Pilot Life	5.3
Mony	5.1
Berkshire Life	5.0
Gulf Life	4.8
Pacific Mutual	4.6
State Mutual of America	4.3
Lincoln National	4.0
Security Mutual (NY)	4.0
Indianapolis Life	3.7
Union Central	3.3
Home Life	3.2
Farmers & Traders	3.1
Acacia Mutual	2.9
Allstate Life	2.9
Manhattan Life	2.6
Paul Revere Life	2.4
Confederation Life	2.3
National Fidelity Life	0.9

\* Sources include The Diamond Life Bulletin, Best's Flitcraft Compend, or individual company ratebook, where available.

Note: Some companies may require more than just non-smoking in order to receive their discount, such as build and blood pressure requirements.