

Preferred Mortality and Standard Valuation Law Modifications

This call covered two projects – new mortality tables and modification of the Standard Valuation Law (SVL) to accommodate principles-based reserves.

Larry Gorski advised LHATF on the progress of the preferred mortality project and the pre-need mortality project. SOA is treating these as separate projects.

LHATF seeks to have mortality tables for preferred and non-preferred underwriting classes developed from industry data. These tables would then be used on an interim basis until a principles-based reserve system is developed and in place. SOA is on schedule to complete the tables by March of 2007. Gorski also reported that his task force intends to prepare lapse studies after the interim mortality studies are complete. NY asked about expense studies, but that is not part of the charge to the task force.

SOA expects 11 or more companies to submit data shortly for the pre-need study. No completion date was mentioned on the call.

LHATF then discussed two drafts for revising the SVL for principles-based reserves. The TX draft is a separate law that refers to valuation, policy values and nonforfeiture. The NY draft modifies the SVL for reserve and RBC valuations. Both drafts include a section on regulatory oversight.

Both authors warn that their efforts are attempts to get the process jump-started and thus do not represent final recommendations by any means. LHATF spent some time discussing whether nonforfeiture should be included. ACLI recommended excluding it because of tax considerations. LHATF came to no conclusions today. The AAA SVL2 Task Force expects to comment about both drafts at the December meeting.

Donald P. Maves, FSA, MAAA

4 October 2005

