

ACLI Interim Proposal

LHATF members spent the greater part of the call entertaining objections to the ACLI interim proposal.

Birny Nirnbaum of The Center for Economic Justice, a consumer advocacy group, emphasized that his group is concerned about the lack of objective standards for the use of preferred mortality tables, which he believes could lead to unfair risk classification and rate discrimination.

Sheldon Summers (CA), not buying into the approval by NAIC General Counsel, objected to the use of lapse rates. He also protested the lack of objective standards for use of the preferred mortality tables. Finally, he observed that the ACLI's examples seem to show that the reserve redundancies occur in later durations, and that a better solution might be possible.

Bill Carmello (NY) echoed the objection about lack of standards for preferred mortality use. Other regulators supported CA's view on the use of lapse rates.

Mike Batte (NM) remarked that LHATF is waiting for the joint SOA/AAA report on the use of the proposed mortality tables. Larry Gorski stated that the joint group's approach to the determination of risk class assignments is much more robust than the ACLI proposal.

When interested parties were asked for comments, Tom Rhodes and Armand de Palo defended the ACLI draft, citing the requirements to report experience and to justify assumptions as experience emerges.

Interestingly, John Bruins (ACLI) renounced the reporting requirement, stating that NY had insisted it be included. ACLI objects because of confidentiality concerns and cost.

At this point the time for the call expired, so Mike Batte scheduled a follow-up call on Friday at 1:00 PM CDT, at which the joint SOA/AAA group is expected to report.

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