

Using 2001 CSO Preferred Tables

LHATF discussed the ACLI's draft guideline for using the Preferred mortality tables as part of the Interim Solution. The major features of the guideline are:

- It is effective for issues on or after January 1, 2007,
- It applies to individual life and certain group life plans sold as individual,
- Determination of mortality classes is similar to the method for X-factor classes,
- The derivation of anticipated mortality, which is based upon the availability and credibility of experience, is also similar to the method for X-factors,
- Annually, each class must pass two sufficiency tests comparing present values of death benefits under anticipated mortality to valuation basic mortality over (a) ten years and (b) the entire future life,
- It provides for a stopgap annual report of mortality determination and analysis, until the experience reporting to a "statistical agent" is defined,
- Changes in mortality for any classes are not considered changes of basis, and
- The same table must be used for basic and deficiency reserves.

Regulators had these comments:

- In performing the two tests, should mortality on persisting policyholders after a high expected lapse rate reflect anti-selection? ACLI argued that such a class could never pass because the valuation tables do not provide for anti-selection,
- How are classes determined to be "similar"? ACLI leaves it up to the actuary's judgement,
- Individual states might decide to collect statistical data before a Statistical Agent exists. ACLI fears multiple data requirements, causing companies extra expense burdens,
- The approach to determining anticipated mortality is too vague,
- Standards for determining credibility need to be specified, and
- The stopgap annual report must be removed.

LHATF voted to expose for comments the ACLI draft without the stopgap annual report, but more changes are likely to be necessary to satisfy regulators' concerns cited above.

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17 October 2006

