

Actuarial Guideline TAB

AG TAB provides rules for the use of the 2001 CSO Preferred Class Structure Mortality Tables in the XXX/AXXX interim solution. LHATF and the ACLI agreed to:

- Make the changes previously discussed to the residual standard exemption and to the ten-year sufficiency test exemption, and
- Restore the section on “Communications and Disclosures” that had been inadvertently dropped. This section requires an annual certification and actuarial report in support of the tables chosen.

The main sticking point – what to do when company experience is not available or not credible – took up most of the call. Highlights of that discussion are:

- NY would like to put a reference to the use of underwriting standards into the AG,
- NY would also like to give a Commissioner the right to direct a company to use a less favorable table if he does not believe the justification is adequate,
- ACLI remarked that recent experience shows that “standard” class mortality is running about 80% of 2001 CSO; thus if a company can show that its standard results are X%, why should it not be able to use something less than X% for its preferred classes based on its underwriting criteria even if the data are not credible?
- CA and NY mentioned that, if data are credible only for limited durations, blending with the 2001 CSO table might be necessary,
- ACLI responded that blending might lead to the inability to use the preferred tables, with which NY agreed, and
- NY wants to collect mortality data for all classes, but ACLI questioned the need for data from the non-preferred classes.

The upshot is that NY will draft a revised Guideline that addresses these points. LHATF will try to vote for exposure on its May 2nd call. (The main topic of that call is nonforfeiture improvement.)

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