

Mortality and Margins

This call continued a discussion from the March meeting about a proposed "2008 CSO" mortality table.

Industry representatives stated concerns about the level and slope of the margins added to the basic tables, particularly the latter and its effect on term insurance reserves.

The joint SOA/AAA team presented comparisons of mortality rates and basic reserves under the 2001 preferred tables versus the proposed 2008 tables, both with and without margins. The team tested 20-year term, whole life, and UL with secondary guarantees, using current CRVM definitions (i.e. XXX and AXXX as applicable). LHATF did not reach any conclusions from this presentation.

Term writers argued the urgent need for new tables in light of current redundant reserves and the difficulties of getting relief through letters of credit. ACLI stated that, except for term, there is no need for new tables, citing costs, time, and tax considerations. Some observers proposed modifying the 2001 tables instead of developing new tables.

Chairman Bruning (KS) tried to poll members on whether this issue should take precedence over PBR, but got no definitive answer. Thus LHATF will resume the discussion at the June meeting.

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