Term Insurance Marketplace

US Product Trends & Experience Results

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Product Design Trends

Overall, market is very quiet right now

- Product may be underpriced relative to current conditions
- SI offerings grabbing the headlines
- Decreased ROP offerings and interest due, primarily to regulatory change
- Very little activity on riders such as critical illness
- A few companies offering Term UL
Historical Premium Trends

Change In Average of Lowest 10 Premiums
Male Age 45 Best Non-Tobacco Class
Band Size $1,000,000

Ratio to June 2001

Data from COMPULIFE ® Software, Inc.
Charts prepared by RGA
Underwriting Trends

- General trend toward less invasive testing
  - More MVR, APS, Paramed
  - Fewer full medical exams, treadmill EKGs, inspection reports, chest x-rays

- Some loosening of criteria on preferred classes

- Increased interest in simplified issue products
  - Move toward “instant issue” term products with prescription history queries
Experience Results
Level Period Mortality

Counter-intuitive results by band

Permanent

Medium-High band

High band

Term

RGA Internal 2005-2009 Calendar Year Experience; Actual/Tabular Mortality Ratios by Amount; 08VBT Tabular Basis
Term High Band Mortality Drivers
Primarily due to higher suicide and accidental death

RGA Internal 2005-2009 Calendar Year Experience;
Suicide Claims Prevalence
Greater for Term vs. Permanent & High Band vs. Med-High Band

Suicides as % of Total Claim Count (within category)

RGA Internal 2005-2009 Calendar Year Experience;
T10 Shock Lapse Experience
by Duration

Lapse Rate

Level Period

Tail Period

Number of Lapses

Lapse Rate Number of Lapses (right axis)

- Lapse Rate
- Number of Lapses (right axis)
Shock Lapse Experience
by Premium Jump Ratio

Duration 10 Lapse Rate
Duration 11/10 Premium Jump Ratio

- Duration 10 Lapse Rate
+ Duration 10 Lapses
Mortality Experience

2008 VBT Mortality Ratio

Level Period

Tail Period

A/E Mortality

Number of Deaths (right axis)

0% 50% 100% 150% 200% 250% 300%

6 7 8 9 10 11 12 13+

1 10 100 1,000 10,000

Number of Deaths

SOA Post-Level Term Study
Mortality Experience
by Premium Jump Ratio

2008 VBT Mortality Ratio

Duration 11/10 Premium Jump Ratio

- Duration 6-10
- Duration 11+
- Duration 11+ / Duration 6-10

SOA Post-Level Term Study
Mortality Experience
by Cause of Death

<table>
<thead>
<tr>
<th>Duration</th>
<th>Level Period</th>
<th>Post-Level Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw Mortality Rate Per 1000 Lives</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Unknown</td>
<td>Non-Medical</td>
</tr>
<tr>
<td></td>
<td>Cardio-Vascular</td>
<td>Other Medical</td>
</tr>
<tr>
<td></td>
<td>Cancer</td>
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SOA Post-Level Term Study
Shock Lapse Experience

Monthly Skewness

Proportion of Lapses

Duration

SOA Post-Level Term Study
What will the future hold?

- How will term experience unfold?
- Will product pricing reflect appropriate high band mortality?
- What about interest rates?
- How will simplified issue products impact the overall term market?
- What about principles-based reserving?
Thank you for your attention.