

**SOUTHEASTERN ACTUARIES CONFERENCE
HILTON HEAD, SC**

JUNE 22, 2007

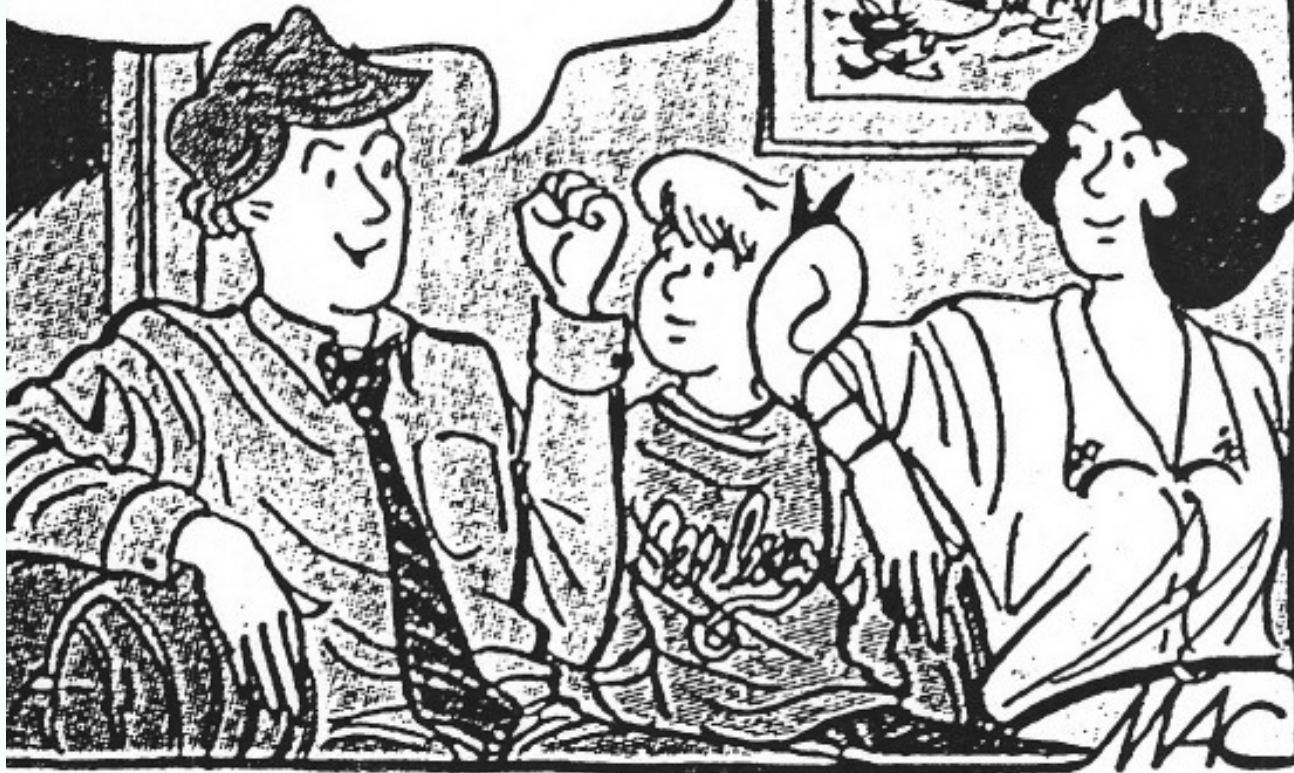
AAA/LHATF/NAIC UPDATE

Presented By:

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SALLY FORTH

I ACED THAT INTERVIEW! WITH ANY LUCK I'LL SOON BE ABLE TO LEAVE MY CURRENT JOB!



WHAT IS YOUR CURRENT JOB?



SHE'S KIDDING, RIGHT?

I'M THINKING
"ACTUARY"...
WHATEVER
THAT IS.



A. AAA Activities

i. Overall Co-ordination of PBR Implementation

- LRWG, ARWG, LFRC, CAWG
- Valuation Manual, Governance, ASOP's
- Practice Notes

A. AAA Activities

ii. CAWG

- Capital Adequacy, Res vs Capital, RBC
- Working to define capital under PBA
- Make & model changes to RBC calculations
- C3 Phase 3 only
- Use CTE(90) calculation
- $C3 = TAR - Reserve \text{ (after tax)}$
- YE 2008 target effective date

A. AAA Activities

iii. VARWG – AG VACARVM

- Survey companies to model AG VACARVM
- Complete by 7/1/07
- AG changes proposed by ACLI/NY/AAA
- Current version is dated 9/06

A. AAA Activities

iii. VARWG – AG VACARVM (cont'd)

- Changes proposed to stand scenario/revenue sharing/hedge valuation sections
- Prudent Best Estimate changed to Prudent Estimate
- Best Estimate changed to Anticipated Experience

A. AAA Activities

iv. Life Practice Council - Products Subgroup

- NFIWG working on feasibility of revising current SNF Law
- Proposed changes to Unfair Trade Practices Law for foreign travel underwriting
- Illustration WG has begun Illustration Regulation Practice Note

B. LHATF Activities

i. Mainly concentrated in implementing PBR

- Exposed Requirements for PBR's
- Exposed draft of Valuation Manual
- Received reports from all PBR WG's

B. LHATF Activities

ii. Mortality Studies

Preferred Mortality Tables (AAA/SOA)

- Ready for adoption by 9/07
- Based on Underwriting Class Score (UCS) applies algorithm to underwriting criteria
- ILEA, SSA, population experience used
- 28 companies contributing experience
- Can be used for PBR
- M/F, Sel/Ult/Agg, SM(10)/NS(4),FA(3)

B. LHATF Activities

ii. Mortality Studies (cont'd)

Preneed Mortality Study (SOA)

- Study feasibility of preneed val & NF table
- 2001 CSO inappropriate; preneed mortality is unique
- 10 contributing companies
- Experience has “U” shaped mortality curve
- Basic table done (M/F, 5 Yr S&U)

B. LHATF Activities

ii. Mortality Studies (cont'd)

- Much higher 1st Yr reserves than 2001 CSO
- Valuation table in progress
- Analyzing possible 7% margin and 7702 GP's vs 1980 CSO
- Will send to AAA for sign off
- Contributors to review; draft Model Regulation to follow

B. LHATF Activities

ii. Mortality Studies (cont'd)

Pandemic Risk Model Study (SOA)

- Mortality surge model
- Group estimated aggregate inputs for US insurers
- Assumes excess dths/M, not % mult
- Assumes reinsurance credit and tax savings

B. LHATF Activities

ii. Mortality Studies (cont'd)

- Studied 1918/1957/1958 epi(pan)demics
- Tested “U” (’57) shaped mortality and “ \wedge ” (’18) shaped mortality patterns
- “U” – moderate; “ \wedge ” – severe
- Studied advantage of insured lives and asset depreciation potential

B. LHATF Activities

ii. Mortality Studies (cont'd)

- Results: moderate pandemic a “non-event”
- Severe: “unpleasant and uncomfortable” but industry capable of paying all claims
- Model will be a tool available to industry

B. LHATF Activities

iii. Actuarial Guideline TAB

- Guidance in choosing 2001 Preferred Class Mortality
- Permitted for use in valuation
- Use company experience if available and fully credible
- Method proposed for full credibility uses 6500 life yrs; approach not in AG

B. LHATF Activities

iii. Actuarial Guideline TAB (cont'd)

- Actuary certifies to two tests as to sufficiency of table
- LHATF adopted Guideline TAB in SF
- Exposed data format for accompanying Regulation

B. LHATF Activities

iv. Group Term Life WP Mort & Recovery Table

- Rule to recognize 2005 GTLW Mortality & Recovery Table
- Developed by SOA
- Min val'n mortality standard = 125% Tble
- Min val'n recovery standard = 665% x Tble
- Will apply to claims incurred after adoption
- Revisions have been exposed

B. LHATF Activities

v. AG VACARVM Subgroup Update

- See AAA update; report given to LHATF

vi. ASB

- Working on two ASOP's for PBR
- Independent Review of Principles Based Valuation
- Standards for Principles Based Reserves

B. LHATF Activities

vii. NFIWG Update

- See AAA update; report given to LHATF

C. NAIC Activities

i. Revised procedures for Model Law development

- Parent committee must give prior approval to develop or revise a Model Law
- Need 2/3 approval of Executive Committee to develop or revise
- Subject must be of significant importance & there must be overriding need for uniformity

C. NAIC Activities

i. Revised procedures for Model Law development (cont'd)

- Model must be ready within 1 yr of approval
- SVL-2 and SNFL “delinkage” are first two submitted to “A” Committee

C. NAIC Activities

ii. IIPRC

- IIPRC now has 30 states included
- Over 50 life/annuity/LTC/DI standards done
- Plan is to begin to accept filings sometime in June

C. NAIC Activities

ii. IIPRC (cont'd)

- IIPRC will utilize actuarial resources of IIPRC states
- Filings will be made through SERFF
- Push to get more large states – FL/CA

D. Relevant Websites

NAIC – www.naic.org

AAA – www.actuary.org

SOA – www.soa.org

ASB – www.actuarialstandardsboard.org