
Joint AAA-SOA Preferred Mortality Study Project Update

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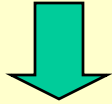


Where it fits in the process?

- Data Validation



- Underwriting Criteria



- Experience Analysis



- Valuation Basic Table



- Valuation Table Implementation



- Valuation Table



Underwriting Criteria Team

- Chaired by Al Klein (Tillinghast)



Background

- Goal of UCT is to create an algorithm to group together like preferred risk classes by underwriting criteria in order to help create a preferred mortality table with multiple risk classes based on actual experience
 - Still considerable differences among companies
- Team consists of actuaries, underwriters and SOA staff



Activity to Date

- Initial meeting — October 27-28, 2005
 - Designed algorithm
- Preliminary scoring meeting — April 10-11, 2006
 - Fine tuned algorithm and began scoring process
- Final scoring meeting — May 17-18, 2006
 - Completed scoring process



Basic Framework for Algorithm

- Identify criteria commonly used in the preferred underwriting decision
- Determine its relative importance among all of the criteria
- Determine how to score each individual criterion



Underwriting Criteria considered in the scoring algorithm

- Cholesterol
- Personal medical history
- Alcohol/drug use
- Build
- Blood pressure
- Family history
- Driving
- Tobacco use
- Aviation, avocations, citizenship, foreign travel, hazardous activities, residence



Valuation Basic Table Team

- Chaired by Doug Doll (Tillinghast)
- Vice-chair – Mary Bahna-Nolan (North American Company for Life & Health)



Background

- Charged with developing the new valuation basic table to be the industry mortality experience table with multiple preferred risk classifications



Issues to Address

- Data quality
 - Not all companies provided underwriting criteria
 - Mortality results may not match guidelines due to underwriting exceptions
- Term mortality after level premium period
 - Not certain can identify
 - Can we/should we ignore anti-selective mortality from experience



Issues to Address (cont'd)

- Term Conversions
 - Higher mortality due to anti-selection
 - Included in permanent experience
 - Should this be included
 - are we overstating mortality for products that do not allow conversion?
- Term v. Permanent
 - Much of preferred experience driven from term plans
 - Are there significant differences between permanent and term mortality?



Issues to Address (cont'd)

- Number of Classes
 - AAA's LRWG wants sufficient number of tables to accurately reflect industry experience for most super preferred to standard tobacco risks (e.g., 10 tables)
 - Do we have sufficient credibility to dissect data so finely
 - May have to happen over time
 - Blended mortality may not add back to aggregate mortality table

