

# SI/ACCELERATED UNDERWRITING – VM20 PRACTICE WORK GROUP UPDATE

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Chairperson, Academy Life Experience Committee and  
SOA Preferred Mortality Project Oversight Group (“Joint  
Committee”)



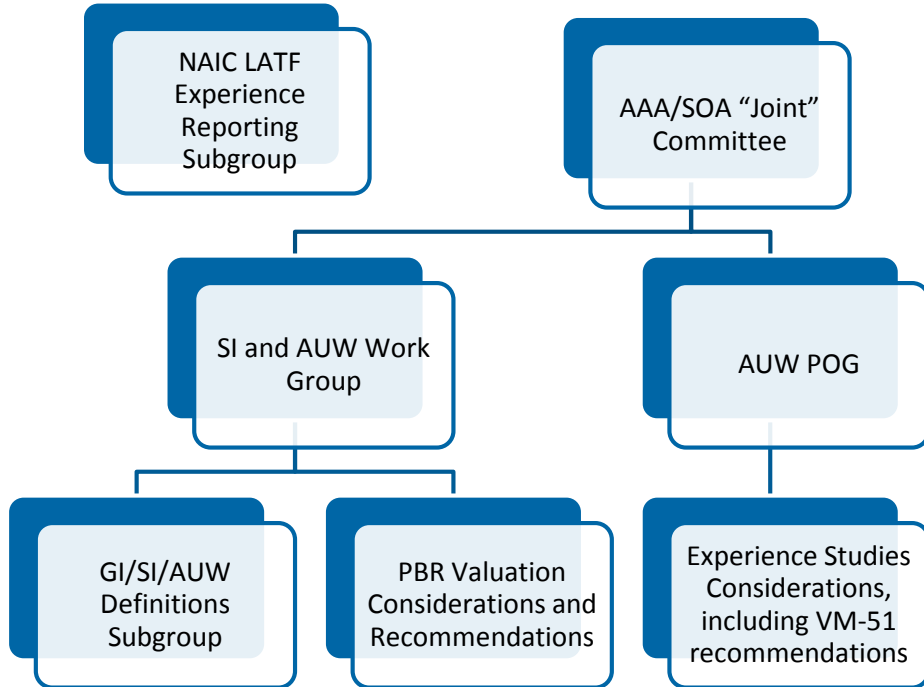
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# Joint Committee SI and AUW Structure

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## GI/SI/AUW Subgroup

- Define underwriting type definitions

## PBR Valuation Considerations and Recommendations

- Identify issues when applying VM-20 to policies issued using an accelerated underwriting program

# PBR Valuation Considerations and Recommendations (VM-20 Reserving Subgroup)



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# VM20 Reserving Subgroup Goals and Focus

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- Primary Goals
  - ▣ Identify current valuation practice for underwriting types
  - ▣ Identify areas where additional guidance is needed
  - ▣ Out of Scope: Appropriateness of underwriting techniques
- Focus on Mortality in Modeled Reserves
  - ▣ Deterministic (DR) and Stochastic (SR) rather than Net Premium Reserve (NPR)
- Durability
  - ▣ Relevance to future innovation



# Update and Next Steps

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- August 2017 Update
  - Accepted proposal
  - Currently contracting with 3<sup>rd</sup> party study facilitator
- Next Steps
  - Draft study questionnaire
  - Solicit volunteer participants



# Moving Forward – Long-Term Approach

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- Research Study: Delphi Technique
  - A multi-round survey of experts
  - Draw conclusions regarding:
    - Emerging underwriting practices
    - Impact on observed mortality under emerging practices
  - Purpose is to provide practitioners and regulators with a framework that:
    - Clarifies how to categorize different underwriting practices
    - Benchmarks adjustments to base mortality tables for different practices
- Precedent for future changes and evolutions to products valued under VM-20



# Short-Term Approach - Interpretations

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- Timing: 2017 and 2018 Valuations
- Potential guidance to calculate PBR until...
  - ...Decisions on any appropriate VM changes
  - ...Decisions on implementing guidance
- What form of guidance/approach?
  - Guidance Notes within VM
  - LATF Interpretations
  - Other



# Short-Term Approach - Interpretations

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## Potential Topic List

- ☑ Can mortality segments that use different underwriting techniques be combined for calculating credibility?
- ☑ What margins should be considered for new accelerated underwriting techniques?
- ☐ Can existing company experience data be adjusted for new accelerated underwriting techniques?
- ☐ What rationale and support are needed for a company to adjust experience data for new accelerated underwriting techniques?
- ☐ Can business issued with accelerated underwriting techniques be considered an “expected incremental change” of VM-20 9.C.2.f?





# Short-Term Approach – Interpretations, cont'd

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## Potential Topic List

- ❑ When is it appropriate to combine experience under a new technique with existing experience by using an underwriting adjustment?
- ❑ How should an actuary make decisions for the PBR treatment of new accelerated underwriting mortality assumptions?
- ❑ Does the underwriting criteria scoring (UCS) procedure accommodate accelerated underwriting programs?
- ❑ Are there alternatives to the UCS tool to identify appropriate Relative Risk (RR) tables for an accelerated underwriting program with preferred classes?
- ❑ Is the use of 2017 Commissioners Standard Ordinary (CSO) tables clear in the VM for SI or newer underwriting methods?



# Contact Information

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