

SIMPLIFIED ISSUE (SI) UPDATE - SI TABLE, REPORT, AND EXPOSURE

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Presentation to the NAIC’s Life Actuarial Task Force

Simplified Issue (SI) Table Overview

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Basic Table	Valuation Table
<ul style="list-style-type: none"> • 10-year select and ultimate 	<ul style="list-style-type: none"> • Ultimate only
<ul style="list-style-type: none"> • Uni-smoke / composite only 	<ul style="list-style-type: none"> • Uni-smoke / composite only
<ul style="list-style-type: none"> • Male/Female/Unisex 	<ul style="list-style-type: none"> • Male/Female/Unisex
<ul style="list-style-type: none"> • ANB/ALB 	<ul style="list-style-type: none"> • ANB/ALB
<ul style="list-style-type: none"> • Omega $Q_x = 0.500$ at attained ages 111+ 	<ul style="list-style-type: none"> • Omega age of 121 with $Q_x = 1.000$
	<ul style="list-style-type: none"> • Loading = ~20% • Coverage: 94.9% by exposure; 71.4% of contributing companies

SI Definition

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Table(s) apply to Simplified Issue (SI)

Simplified Issue program requirements vary widely from one company to the next. SI provides the least protective underwriting value as compared to other underwriting programs that use more extensive health information. These programs may use both health and non-health data.

- Decisions may occur in advance of the application through directed marketing or market segmentation strategies
- Easy (Short) applications are typically less than three pages in length
- Applicant is either accepted or rejected based on the same information for each applicant. No additional data is collected to make classification decisions.
- Risk classification is usually limited to composite (unismoker), standard smoker and standard non-smoker. Some programs may creatively identify classes as preferred or broad ranges of sub-standard classification using only data requested from all applicants.
- The premium associated with SI tends to be lower than guaranteed issue and higher than programs with more extensive underwriting requirements.



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And do not apply to Simplified Underwritten (SU)

Historical SI programs have evolved into new Simplified Underwritten programs that increase the protective value of the underwriting and have either allowed products to become more profitable or reduce consumer premiums rates.

- The application includes more health questions or provides authorization that allows the underwriter to obtain potentially invasive and non-invasive information on the applicant.
- Many underwriting decisions may still follow a specified list of requirements for most applicants and may also order discretionary items to obtain additional information.
- The SU programs may offer standard, preferred, substandard underwriting classes
- Premium rates still tend to be higher than AU or MU because there is still an anti-selection disadvantage because validation of health history is not as robust as AU or MU.



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SI Report

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- Complete
- Ready for exposure



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A model office was created to compare reserves determined with the 2017 SI Loaded table

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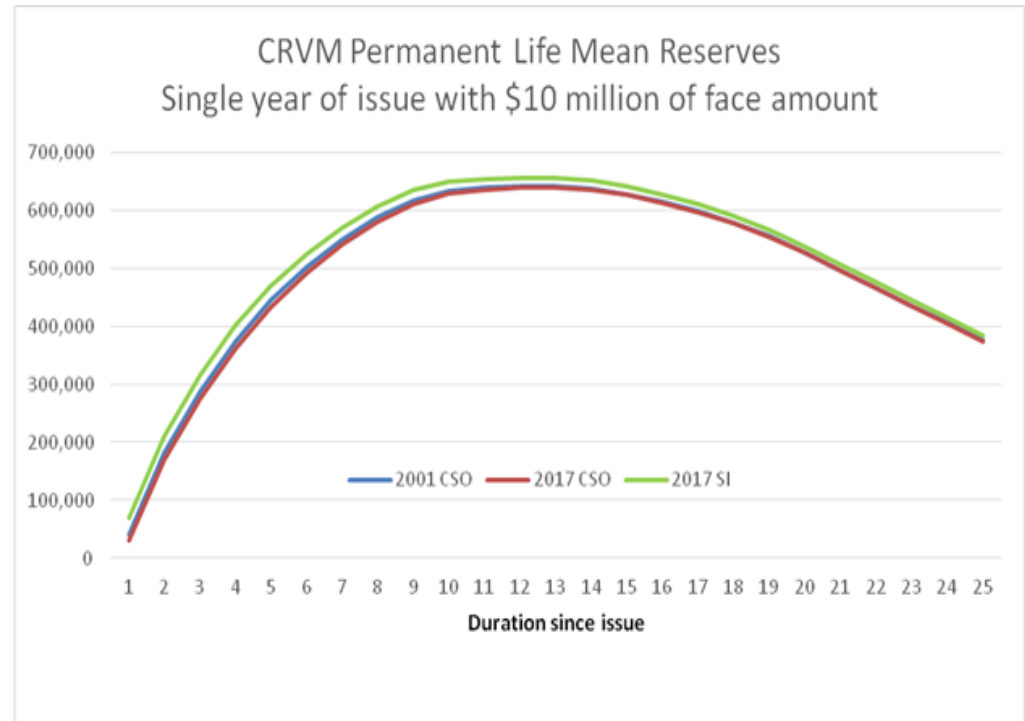
- Mean Commissioners Reserve Valuation Method (CRVM) reserves at 3.5% were projected for 45 years using a single year of issue with \$10 million of face amount issued for a level premium permanent life endowing at age 100.
- Mean reserves at 3.5% interest rate compared those determined with the SI Loaded ALB table to those determined using both the 2017 CSO Composite Ultimate ALB and 2001 CSO Composite Ultimate ALB tables.
- The low face amount term insurance policies with premiums not varying by smoker status are typically being sold with fairly short level premium periods, most often a series of five-year periods.
- Determination of DR and NPR reserves were outside the scope of the model analysis; therefore, term reserves were not modeled.



A model office was created to determine mean reserves when using the 2017 SI Loaded table

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- Year 1 mean reserves based on the 2017 Simplified Issue Composite Ultimate table were 170% of those based on the 2001 CSO Composite table, due to higher first-year net premiums resulting from higher Simplified Issue mortality rates.
- The ratio of reserves based on the 2017 Simplified Issue Composite Ultimate table to those based on the 2001 CSO Composite table decreased from 116% in year 2 to 103% in year 10 and then ranged between 102% and 103% for years 11 to 35.



SI Next Steps and Questions

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- Table and report exposure – does it make sense to proceed or allow work of SI and AUW group to proceed with interpretations?
 - Basic
 - Valuation
 - Definition
- Approach to SI within principle-based reserving (PBR) for traditional form of SI to which these tables apply
 - Treat in same manner as preneed, credit, etc. and excluded from PBR requirements?
 - Include in PBR in manner similar to Whole Life
 - Valuation Manual Appendices A and C (VM-A and VM-C)
 - SI Term will be eligible for Deterministic and Stochastic Exclusion Tests
- Approach to more modern SI forms
 - If different, how to clearly define
- Approach to nonforfeiture
 - Consider not having this table apply for nonforfeiture – continue with the 2017 CSO Ultimate



Contact Information

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