

Key Areas for Input from LATF, Decision Considerations

Decision 1: Which exposure years to include?

- Prior to 2018, different mix of contributing carriers
- 2020-2023 data just now available to ILEC
- 2020 – 2022 COVID-19 years so recommend excluding
- 2023 - Endemic COVID?
 - How to account for historical experience which is inconsistent with go-forward mortality

Recommendation:

- Base table on 2018-2019 exposure year data
 - Consistent group of carriers
 - Sufficient data across cells for credibility by age and by duration
- Use 2023 as test table; make adjustments only if necessary

Level of Granularity Drives Other Considerations

| Consideration | More Granular Tables | Model More Consistent with Existing VBT |
|--|---|---|
| Fit to more recent experience |  |  |
| Recognizes long-standing differences in experience by face amount |  |  |
| Ease of Carrier Implementation – Continues Existing Table Structure |  |  |
| Incorporates product mix differences – better alignment with carrier mix of business |  |  |
| RR table and wear-off revisions, possibly structure change as well |  |  |
| Alignment for younger issue age experience grading to older ages | TBD | TBD |
| Valuation Manual Section 9.C Changes |  |  |
| CSO and Tax Considerations, Margins |  |  |
| Reserve impacts | TBD | TBD |

Decision 2: Guidance and Considerations for Level of Granularity – Separate Tables by Product

Considerations:

- Mix of business continues to evolve
- Blending from level term period to post level term period
- Still insufficient experience for longer level term periods (e.g., 25-30 years)
- Current (insufficient) data for accelerated underwriting for both term and permanent blocks
- Could result in different select periods between term and permanent plans
- When, if ever, to grade back together

Recommendation:

- Separate tables between term plans and permanent plans
- No further product splits or differentiation within permanent plan tables

Decision 3: Guidance and Considerations for Level of Granularity – Separate Tables by Face Amount Band

Considerations:

- Though historical experience varied by face amount, with much more experience at lower face amounts, LATF has previously not wanted to vary tables by face amount bands
- Experience continues to show significant variation by face amount, especially for permanent plans of business
- Need to define face amount bands
- For interest sensitive plans, implications for face amount changes post issue

Recommendation:

- Still forming
- Bent to recognize some variation between lower face amounts (e.g., <\$100k and \$100k+)

Decision 4: Guidance and Considerations for Level of Granularity – Separate Tables by Risk Class Structure

Considerations:

- Risk class splits vary by duration and product type
 - Limited later duration experience on multiple split basis
- Experience is, to-date, limited and doesn't recognize evolving accelerated underwriting
- Any change to the table structure likely will require substantive changes to the RR tables and possibly structure

Recommendation:

- Still forming
- Bent to reflect some level of risk class granularity in the tables

Decision 5: Guidance and Considerations for Level of Granularity – Separate Tables for Juvenile Risks

Considerations:

- Better alignment with shape of mortality curve by issue age group
- Reduces complexity of blending juvenile issue age underwriting and mortality with fully underwritten business at adult ages
- Adds implementation complexity
- CSO considerations?
- Still have challenge with younger adults (e.g., 25) and monotonicity

Recommendation:

- Separate tables for juvenile and adult issue ages
- Still forming recommendation for young adult. Could we violate monotonicity at younger ages?