

**Notes on Coding Risk Class Rank
(Multiple Preferred and Standard Classes)**

Ideal Situation

The contributor would code Risk Class rank using the "Risk Class Rank" field. This would be based on the information such as that presented below for Example Life.

We encourage discussions with you on coding the "Risk Class Rank". We can provide a session of free technical advice with experts in obtaining data from systems.

Acceptable Situation

The contributor would code Risk Class using the "Risk Class Rank" field. Presumably the information would be based on a field from the computer system used to populate the mortality contribution, and/or the name of the product as contained in the administrative field. You would send us a sheet that would correlate the Risk Class Rank to other information through a table or document such as the Underwriting Memorandum mentioned in Example Life. MIB would use the supplied table and inputs of "Risk Class Rank", "Start Date", "End Date", and "Product Type":

For Nonsmokers and Smokers the Standard Class or its equivalent should be the last ranked class. If no Preferred Class exists for that plan/issue date, then the Standard Class is set to 1. The rank of the Standard Class is equal to either the 'Number of Nonsmoker Risk Classes' or the 'Number of Smoking Risk Classes'.

We encourage discussions with you on coding the "Risk Class Rank". We can provide a session of free technical advice with experts in obtaining data from systems.

Example Life's Risk Class Structure and Risk Class Ranking

It is assumed that Example Life has a Risk Class Structure that can best be categorized by plan. (This is due to frequent Preferred Class changes in Term plans and fewer Preferred Classes for Whole Life.) Furthermore, the number of Risk Classes varies over time. (The start dates and end dates were obtained by Underwriting Memorandum sent by the Chief Underwriter to Example Life's underwriters and field force).

When Example Life started in 1945, it issued only Standard and Substandard Risk Classes and no difference was made between males and females. In 1949, Example Life expanded its Substandard Classes and made a differentiation by male and female. Note that all Substandard Classes are given the same Risk Class ranking of 0. In 1966, Example Life expanded its Substandard Classes (all Risk Class Ranking of 0). In 1978 it issue nonsmoker and smoker business and kept Unknown for some states. In 1985, Example Life added Preferred Risks and expanded the number of Preferred Classes in 1992. In 1997, Example Life expanded the number of its Preferred Nonsmoker Risk Classes and contracted the number of its Preferred Smoker Classes. (More frequent changes in Preferred Classes occur for Term plans.)

This approach is demonstrated for the Whole Life policies below. For other policy types that had different start and end dates such as Term, there would be another schedule (or Underwriting Memorandum).

Whole Life

Plan	Start Date	End Date	Risk Class Name	Smoker	Risk Class Rank	Description
Original Classes						
	01/01/45	12/31/48	Standard	Unknown	0	Composite
	01/01/45	12/31/48	Substandard	Unknown	0	Substandard Class

The standard composite experience predates the introduction of preferred classes. The substandard experience is defined as Risk Class Rank of 0.

Company adds Gender and another Substandard Class

01/01/49	12/31/65	Standard	Unknown	0	Composite
01/01/49	12/31/65	Substan CI 4	Unknown	0	Substandard Class
01/01/49	12/31/65	Substan CI 8	Unknown	0	Substandard Class

The standard composite experience predates the introduction of preferred classes.
The substandard experience is defined as Risk Class Rank of 0.

Company adds Gender and another Substandard Class

01/01/66	03/31/78	Standard	Unknown	0	Composite
01/01/66	03/31/78	Substan CI 4	Unknown	0	Substandard Class
01/01/66	03/31/78	Substan CI 8	Unknown	0	Substandard Class
01/01/66	03/31/78	Substan CI 16	Unknown	0	Substandard Class

The standard composite experience predates the introduction of preferred classes.
The substandard experience is defined as Risk Class Rank of 0.

Company adds a Nonsmoker Class, Smoker Class and retains some Unknown for some states

04/01/78	03/31/85	Standard	Nonsmoker	1	Best Class
04/01/78	03/31/85	Substan CI 4	Nonsmoker	0	Substandard Class
04/01/78	03/31/85	Substan CI 8	Nonsmoker	0	Substandard Class
04/01/78	03/31/85	Substan CI 16	Nonsmoker	0	Substandard Class
04/01/78	03/31/85	Standard	Smoker	1	Best Class
04/01/78	03/31/85	Substan CI 4	Smoker	0	Substandard Class
04/01/78	03/31/85	Substan CI 8	Smoker	0	Substandard Class
04/01/78	03/31/85	Substan CI 16	Smoker	0	Substandard Class
04/01/78	03/31/85	Standard	Unknown	0	Composite
04/01/78	03/31/85	Substan CI 4	Unknown	0	Substandard Class
04/01/78	03/31/85	Substan CI 8	Unknown	0	Substandard Class
04/01/78	03/31/85	Substan CI 16	Unknown	0	Substandard Class

Number of Nonsmoker Risk Classes = 1

Number of Smoker Risk Classes = 1

The substandard experience is defined as Risk Class Rank of 0.

The standard composite experience is not studied as part of a Preferred/Standard class study.

Company adds a Preferred Nonsmoker and Nonsmoker Class

04/01/85	05/31/92	Preferred	Nonsmoker	1	Best Class
04/01/85	05/31/92	Standard	Nonsmoker	2	Next Best Class
04/01/85	05/31/92	Substan CI 4	Nonsmoker	0	Substandard Class
04/01/85	05/31/92	Substan CI 8	Nonsmoker	0	Substandard Class
04/01/78	05/31/92	Preferred	Smoker	1	Best Class
04/01/78	05/31/92	Standard	Smoker	2	Next Best Class
04/01/78	05/31/92	Substan CI 4	Smoker	0	Substandard Class
04/01/78	05/31/92	Substan CI 8	Smoker	0	Substandard Class

Number of Nonsmoker Risk Classes = 2

Number of Smoker Risk Classes = 2

The substandard experience is defined as Risk Class Rank of 0

Company Expands its Preferred Classes

06/01/92	05/31/97	Preferred Plus	Nonsmoker	1	Best Class
06/01/92	05/31/97	Preferred	Nonsmoker	2	Next Best Class
06/01/92	05/31/97	Standard	Nonsmoker	3	Next Best Class
06/01/92	05/31/97	Substan CI 4	Nonsmoker	0	Substandard Class
06/01/92	05/31/97	Substan CI 8	Nonsmoker	0	Substandard Class
06/01/92	05/31/97	Preferred Plus	Smoker	1	Best Class
06/01/92	05/31/97	Preferred	Smoker	2	Next Best Class
06/01/92	05/31/97	Standard	Smoker	3	Next Best Class
06/01/92	05/31/97	Substan CI 4	Smoker	0	Substandard Class
06/01/92	05/31/97	Substan CI 8	Smoker	0	Substandard Class

Number of Nonsmoker Risk Classes = 3

Number of Smoker Risk Classes = 3

The substandard experience is defined as Risk Class Rank of 0.

Company Expands its Nonsmoker Preferred Class and Contracts its Smoker Preferred Classes

06/01/97	Present	Preferred Plus	Nonsmoker	1	Best Class
06/01/97	Present	Preferred	Nonsmoker	2	Next Best Class
06/01/97	Present	Select	Nonsmoker	3	Next Best Class
06/01/97	Present	Standard	Nonsmoker	4	Next Best Class
06/01/97	Present	Substan CI 4	Nonsmoker	0	Substandard Class
06/01/97	Present	Substan CI 8	Nonsmoker	0	Substandard Class
06/01/97	Present	Preferred Plus	Smoker	1	Best Class
06/01/97	Present	Standard	Smoker	2	Next Best Class
06/01/97	Present	Substan CI 4	Smoker	0	Substandard Class
06/01/97	Present	Substan CI 8	Smoker	0	Substandard Class

Number of Nonsmoker Risk Classes = 4

Number of Smoker Risk Classes = 2

The substandard experience is defined as Risk Class Rank of 0.