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Highlights of Sessions at the 2015 SOA Annual Meeting & Exhibit

By Kurt A. Guske

This article contains a summary of some of the presentations given at the 2015 SOA Annual Meeting & Exhibit, held October 11–14, in Austin. While this article covers only a portion of sessions that are related to product development, it shares observations that have been made by various members of the SOA Product Development Section Council. We encourage everyone to join our LinkedIn group where you can participate in discussions on these or any other topics that are relevant to our business. If you would like to present at an upcoming SOA event or write an article for *Product Matters!*, please contact Simpa Baiye at simpa.baiye@pwc.com, Vera Ljucovic at vljucovic@scor.com, or me at kurt.guske@aig.com.

LIFE PRODUCT TRENDS BY PAUL FEDCHAK

“Life Product Trends” is a staple session at each annual meeting, and 2015 was no exception. This year Paul Fedchak began the panel discussion with a high-level statistical overview of the life insurance market. Paul made one key observation in regards to the long-term trend of traditional products gaining market share relative to universal life. Another key observation was the trend of indexed universal life, which has grown exponentially over the last fifteen years and continued picking up steam more recently. Paul also demonstrated the increased prevalence of long-term care and chronic illness riders on universal life. Each of these trends was tied to one or more of three major external influences: economic environment, regulation, and demographics.

Bill Winterman followed Paul and provided increased detail on aspects of the life insurance market. Bill showed data regarding the ongoing term re-pricing observed in the market. He then provided an excellent summary of the underwriting spectrum of life products from full medical underwriting to guaranteed issue. Bill discussed the upswing of limited underwriting products, including typical simplified underwriting parameters in additional detail and highlighting key risk mitigation techniques used throughout the industry. Bill concluded with comments on AG-48 and noted that, despite early concerns, companies have mostly taken the new guideline in stride.



Chuck Preti continued the panel discussion with a refreshing change of perspective. Chuck focused on products that have recently lagged in the market, but could thrive with proper execution. The first product that Chuck examined was one typically sold as a rider—the accelerated death benefit. Chuck noted that the benefit is often difficult for the consumer to quantify, and therefore perceived as too expensive. The next underdeveloped product that Chuck addressed was reversionary annuities. Chuck pointed out that agent and consumer unfamiliarity and beneficiary inflexibility were two possible causes of the product’s lagging sales. Chuck closed the session with thought provoking reasons why ULSG has lost some of its former luster. Unclear communication to the policyholder seems to be a motif common to several of the reasons.

INDEXED PRODUCT DEEP DIVE BY JEREMY BILL

This session took an in depth look at topics that impact both indexed annuities and indexed life products. Tim Pfeifer began the sessions with a discussion of some of the recent trends in the market. For indexed annuities, the emphasis has been on volatility controlled indexed and guaranteed lifetime withdrawal benefits, but these same benefits have not become popular for Indexed Life.

Next, Guillaume Briere-Giroux focused on some financial reporting issues related to indexed products. He described the reporting requirements under US stat and GAAP accounting and he shared the results of a recent financial reporting survey related to Indexed UL.

The final speaker was Christopher Foote, who provided a home office perspective related to some of the “real world” challenges with indexed products. He described an analytical framework that could be used to explain some of the “noise” that is created by indexed products.

2017 CSO IMPACTS BY ANDREW BOYER

Here are some of the key points discussed in comparing reserves using the 2017 CSO tables versus 2001 CSO, based on the results of the Impact Study.

20-year term reserves (using VM-20 NPR) are reduced by 30-45 percent overall for the entire benefit period. There are larger reductions for nonsmokers, residual classes and issue age 45.

Whole life CRVM reserves are reduced by 6-10 percent overall after five years, grading off gradually. There are larger reductions for males, nonsmokers and issue ages 25-45.

Universal Life with secondary guarantee reserves, using VM-20 net premium reserve, are reduced by 5-11 percent overall after five years, grading off gradually. Unlike WL, there is still some impact after 50 years. There are larger reductions for males, nonsmokers, residual classes and issue ages 25-45.

Similar to 2001 CSO, using the 2017 CSO ultimate rates generally produces lower reserves than the 2017 CSO S&U rates. Exception is the final year of the 20-year term plan because of negative terminal reserves floored at zero and lower net premiums on S&U basis.

For more details, see:

<https://soa.org/files/research/projects/2017-cso-impact.pdf>

<https://soa.org/files/pd/2015/annual-meeting/pd-2015-10-annual-session-169.pdf>



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