



SOCIETY OF ACTUARIES

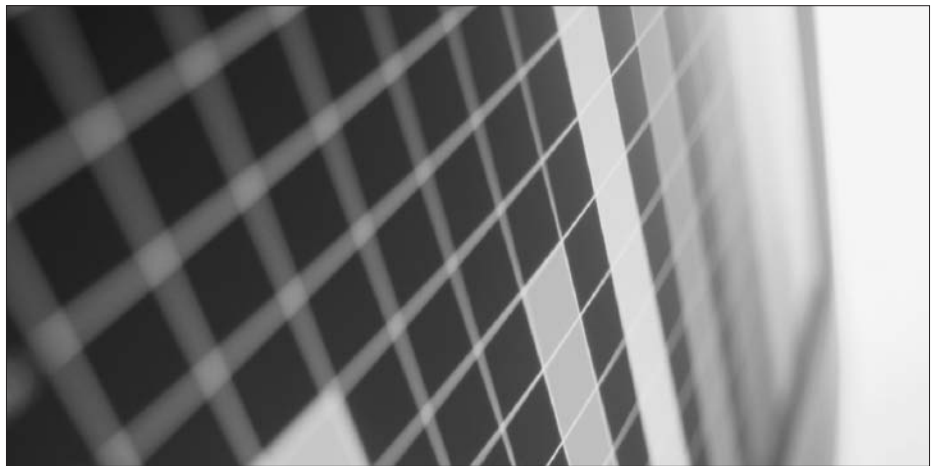
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New Preneed Valuation Mortality Table

by Mark C. Rowley and Kent L. Scheiwe



The development of a preneed insurance valuation table is currently under way. Fifteen companies that sell preneed insurance have committed to share their mortality experience with the Society of Actuaries to produce the mortality table. A Project Oversight Group (POG) consisting of actuaries representing the industry was selected to assist the Society of Actuaries in developing the table. The NAIC was notified of the table development so they can begin the process of creating a regulation for approval by the states adopting the table as the “preneed mortality table.”

The need for a preneed mortality table came about because reserves produced by the 2001 CSO table are seen as inadequate for preneed in-

surance. Because of the unique mortality experience for preneed insurance, discussions are under way to create a distinct preneed valuation mortality table. Once the 26th state approves this table for preneed reserves, insurance companies will be able to use this table for tax reserves.

Any questions concerning the table can be addressed to Mark Rowley of Van Elsen Consulting or Kent Scheiwe of Milliman. ●



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- ▶ • Total volume sold and expected to be sold
- Distribution assumptions — volume sold by plan, sex, risk class, age
- Mortality experience
- Lapse assumptions and/or experience (especially for unique/different product types)
- Policy form
- Types of riders reinsured, rider premium rates including supplemental benefit riders, rider policy forms
- How product is sold (i.e., what distribution channel is — direct market, brokers, career agents...)

Smaller insurance companies need realistic expectations for reinsurance coverage. If reinsurance is necessary to maintain overall financial stability, ceding companies should offer enough volume to provide an acceptable spread of risk to the reinsurer or be willing to pay a little more to cover the additional variability and cost. Smaller companies should also realize that reinsurers are more likely to value the relationship when resources are not tapped disproportionately to business ceded. Smaller companies still have reinsurance options, but they may have to make some changes in business practices to maximize their utilization. ●



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