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Mortality Table Updates—2012

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The Society of Actuaries (SOA) is uniquely positioned to conduct research to provide actuaries with the mortality and morbidity tables necessary to evaluate risks. These tables are used in industry applications and statutory valuation. Recently, joint teams of SOA and American Academy of Actuaries (the Academy) volunteers have been busy on several such projects. This article provides a summary of their work.

2012 Individual Annuity Mortality Basic (2012 IAM Basic) and Individual Annuity Reserve (2012 IAR) Tables

This recently developed table is based on the SOA's 2000-04 Individual Payout Annuity Experience Report, dated April 2009. The 2012 IAM Basic and IAR tables, together with projection scales, are available at http://www.naic.org/documents/committees_lhatf_exposure_2012_ind_ann_res_tbl.pdf. When compared to the valuation of lifetime payout annuities based on the A2000 annuity table, the report finds a 9.9 percent increase in reserves at issue for an age 65 male, and an increase of 15.1 percent in reserves 10 years after issue. Reserve increases for other payout annuity structures can be found in the report.

Experience data covering 2005-08 is being finalized and will be compared to the developed table.

2014 Valuation Basic Table (2014 VBT) and Commissioners Standard Ordinary Mortality Table (2014 CSO)

Work is underway on a new VBT/CSO mortality table. The 2014 Valuation Basic Table Team of the SOA & AAA Joint

Project Oversight Group will develop both a valuation basic table and a commissioner's standard ordinary table to replace the 2008 VBT and 2001 CSO. This group has completed their preliminary analysis of the select period, mortality improvement and graduation approach. The data contributing to the table development is the 2002-09 experience mortality. The set of published tables is expected to include aggregate and preferred risk tables. Expect to hear more news about the development of these tables toward the end of 2012.

Guaranteed Issue, Simplified Issue and Preneed Insurance Tables

New to the array of valuation mortality tables will be three distinct tables applicable to individual guaranteed issue insurance, individual simplified issue insurance and preneed insurance. The effort behind development of these new tables belongs to the SOA & AAA Joint Project Oversight

Group, its members and supporting subgroups. Information on the development of these tables comes in part from the March 1, 2012, presentation by Mary Bahna-Nolan, chair of the AAA's Life Experience Subcommittee, to the Life Actuarial Task Force of the National Association of Insurance Commissioners (NAIC). One data call went out to the industry in support of these tables, which resulted in 36 total company submissions. Fifteen companies submitted guaranteed issue data covering 6.4 million policy years, 33 companies submitted simplified issue data covering 21.9 million policy years, and 12 companies submitted preneed data covering 10.0 million policy years. Most of these companies submitted five calendar years' worth of data. Analysis of the mortality data is underway during the spring and summer of

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Continued on page 28

Expected Basis	Simplified Issue		Guaranteed Issue		Preneed	
	By Count	By Unit	By Count	By Unit	By Count	By Unit
2008 VBT S&U	245%	250%	340%	305-515%	240%	260%
2008 VBT S&U LU	185%	160%	250%	220-335%	200%	215%
2008 VBT Ultimate	160%	135%	210%	185-250%	170%	175%
2008 VBT Ultimate LU	130%	119%	165%	145-200%	150%	155%

S&U: Select and Ultimate

LU: Limited Underwriting

2012. The working group is striving for a first draft of their report on this work by the end of 2012. Persistency data will also be part of the working group’s analysis. Above are high-level actual-to-expected results from the submitted data, after removing extreme outliers.

In summary, several critical tables are expected to be closer to completion by the end of 2012. With appropriate NAIC

recognition, the 2012 IAR table and the 2014 CSO table will become the statutory valuation minimum standard. The new tables for guaranteed issue, simplified issue and preneed would also ultimately become statutory minimum standard tables, with appropriate NAIC recognition. Use of these tables would seem to require a definitional framework around the type of policy to be considered simplified issue, guaranteed issue and preneed. ●



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