



SOCIETY OF ACTUARIES

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including Health Practice Council (Steve Ostlund); Life Practice Council; (Howell Pugh); Continuing Education Coordinating Committee (Theresa Resnick); and the Course 7 Committee (Steve Konnath).

- 5) The Nontraditional Marketing Section has published the *Product Channel Directory* which identifies product and distribution channel scenarios. This publication will be updated not only chronologically, but as

to its purpose as well. We are planning to make the *Product Channel Directory* become a valuable networking tool for members.

These are some of the highlights and plans for us as a Section for 2002. I encourage you to learn what the Section is doing and to volunteer your talents! Any organization is only as good as the involvement of its members. If any of the activities described in this issue of *NewsDirect* appeal to your participation, please let us know. The

section council members are listed on page two of this issue. We are always looking for fresh faces, new ideas and continued enthusiasm. I have a great group of Section members, Friends of the Council, and volunteers to work with me to make this a great year, and I am looking forward to it. Thanks in advance for your participation!

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New Credit Life Insurance Valuation Standard in the Making

by Steven L. Ostlund

The NAIC has asked the Society of Actuaries to develop a recommendation for a valuation standard for single premium credit life insurance business. The most common standard currently in existence is based upon the 1980 CSO or CET, although some states still require the 1958 CET or 1960 CSG. The Credit Insurance Experience Committee was asked to respond to this request and is planning to make a recommendation to the Life and Health Actuarial Task Force at their June meeting in Philadelphia.

The committee solicited and received experience from 30 carriers representing \$146 billion of exposure for 1998 and 1999. Initially, comparison was made to the 1980 Male CSO Table to determine trends in the experience since the Credit Life

Insurance Actual-to-Expected Mortality Study for 1992 was published in the 1993-94 *Transactions Reports*. Significant improvement was observed, as expected. The committee then made comparisons to the 2001 Male CSO Ultimate Table, using the blended Smoker-Non-Smoker table. After examining the distribution of experience among companies, loading factors were developed to provide an appropriate valuation table. It is anticipated that the new table, by reflecting recent experience, will result in a release of excessive reserves and a more accurate portrayal of the liabilities of the industry, while still maintaining appropriate safety margins.

One goal of the committee is to conduct this study on an annual basis, and to link the credit life mortality standard to the current ordinary life standard. That way, as future updates are made to the ordinary life valuation standard, recent data is available to establish an appropriate credit life standard simultaneously.

The work of the committee was guided by a previous study and recommendation was made to provide for a valuation standard for credit

disability premium reserves. That recommendation was to base reserves on a multiple of the 1985 Commissioners Individual Disability Table. This recommendation was adopted by the NAIC and will now work its way through adoption by various states.

Members of the Experience Committee, chaired by the author, include:
 Robert J. Butler
 Jeanne Meeker Daharsh
 Lawrence D. Fisher
 Ginny Gammill*
 Christopher H. Hause, Vice-Chair
 Jay M. Jaffe
 Gerard J. Lunemann
 Elaine N. Pelletier
 T. Michael Presley
 Randy J. Ruplinger

**Credit Insurance Professional*

The committee has received staff support from John A. Luff, and cooperation from the American Academy of Actuaries and the Consumer Credit Insurance Association.

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