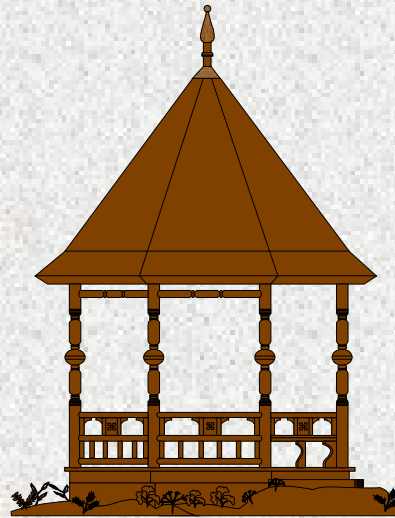


# 1999 Pricing Seminar

X Factor Marketing Opportunity

July 22, 1999

Fort Wayne, IN

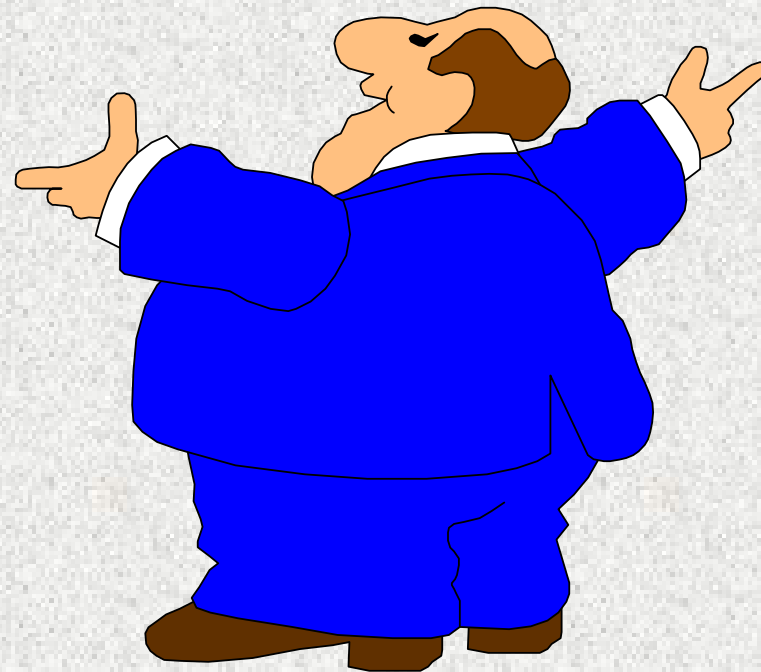


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# Presentation Outline

- ◆ Appointed Actuary Requirements for X Factor
- ◆ Importance of X Factor
- ◆ Marketing Opportunities for Lincoln Re?



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# X May Vary

- ◆ Policy year
- ◆ Policy form
- ◆ Underwriting classification
- ◆ Issue age
- ◆ Or any other policy factor expected to affect mortality experience



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# X Factor Limitations

- ◆  $X \approx 20\%$
- ◆  $X$  shall not decrease
- ◆  $PV(DB^X) \approx PV(DB^E)$
- ◆  $q^X \approx q^E$ , first 5 years

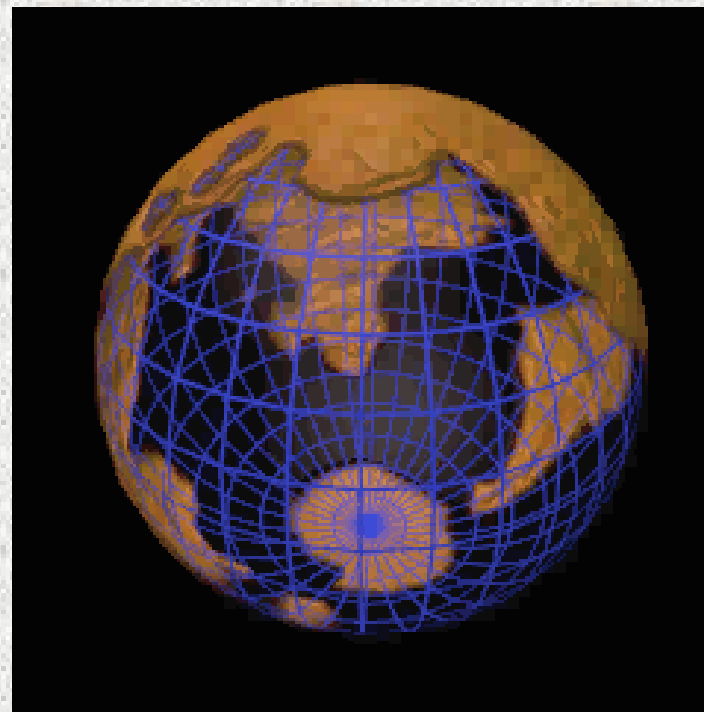


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# X Factor Requirements

- ◆ X Must Be Increased if Necessary to Comply
- ◆ X May Be Decreased if Still in Compliance
- ◆ Must Specifically Take Into Account Effect of Increases in Premiums



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# Appointed Actuary Requirements

- ◆ Must Annually File Section 8 Actuarial Opinion (With Asset Adequacy Analysis)
- ◆ Must Annually File X Factor Opinion
- ◆ Larry Gorski Paper

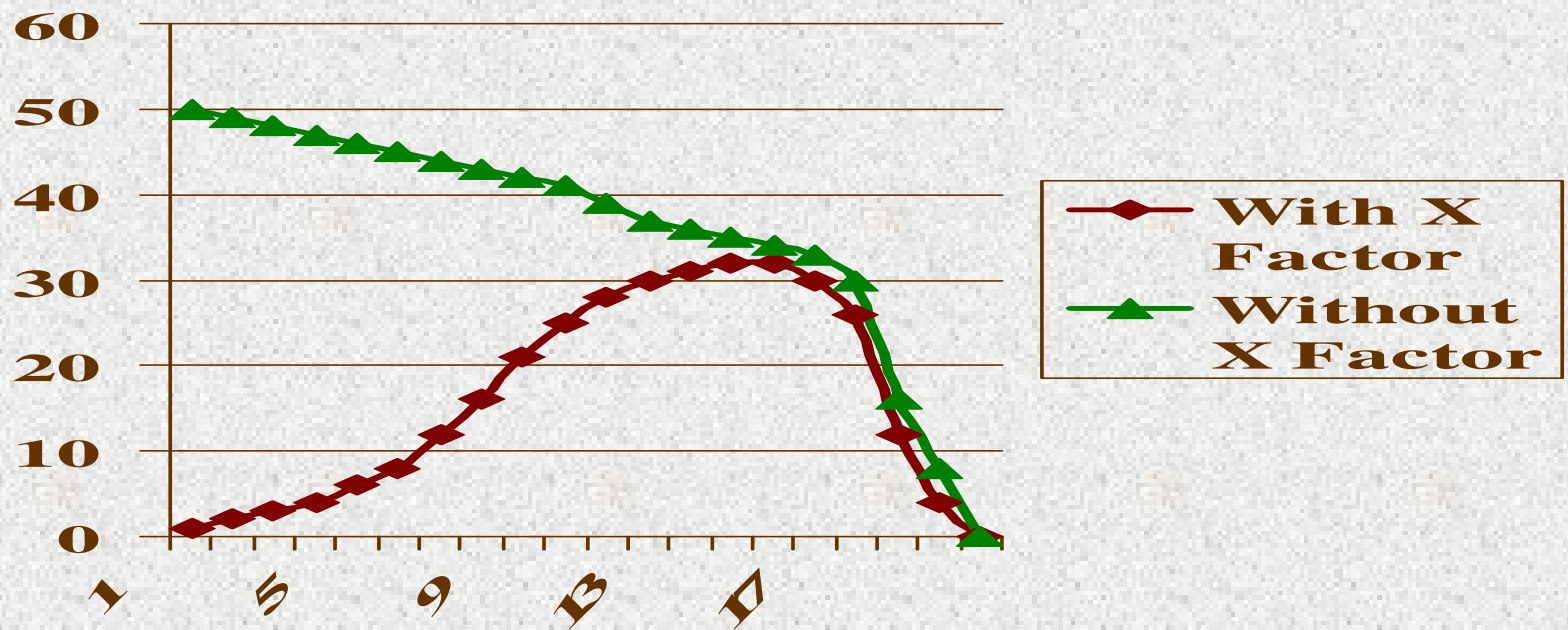


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# Importance of X Factor



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# Lincoln National Re Opportunities

- ◆ Help in Setting Initial X Factor
- ◆ Help in Adjusting for Changes in Underwriting
- ◆ Help Justify X Factor



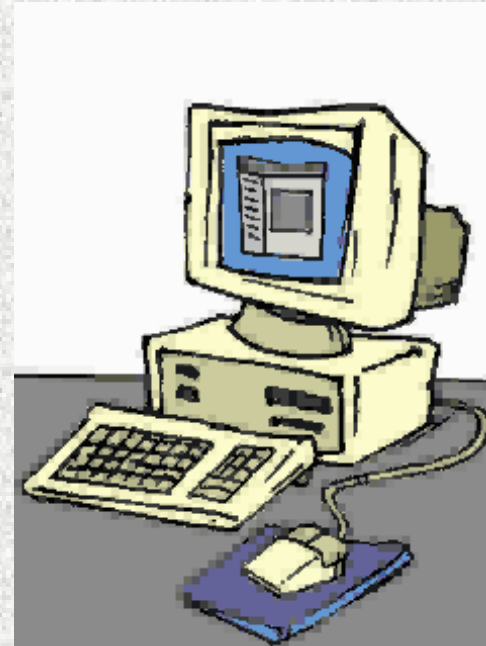
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# Potential Problems

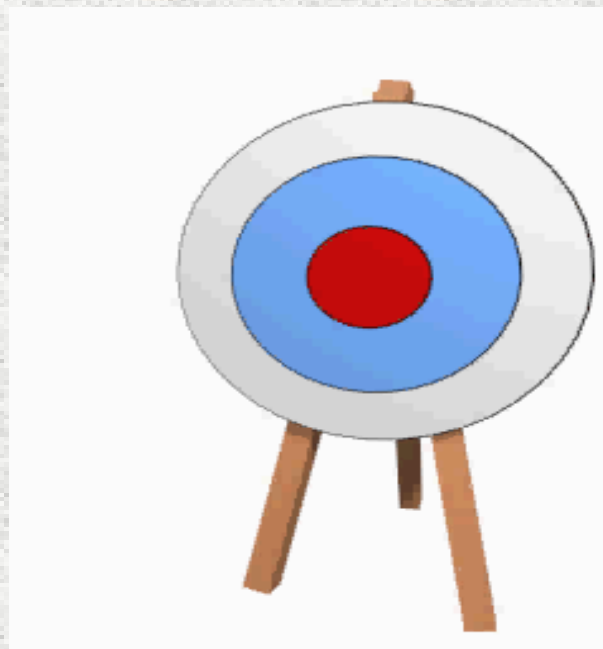
- ◆ What if X Factor is Too Low?
- ◆ What if X Factor is Too High?
- ◆ Potential Differences Between Reinsurer & Company X Factors



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# Questions & Answers

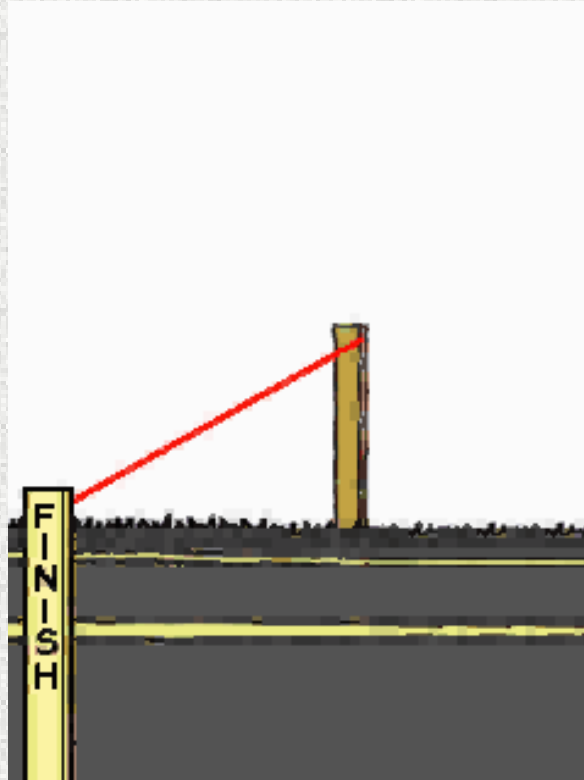


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# The End



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