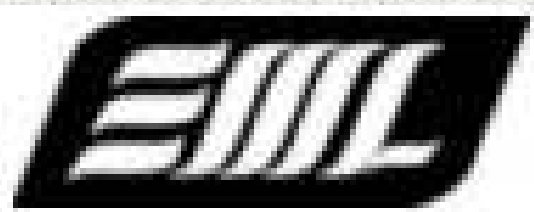


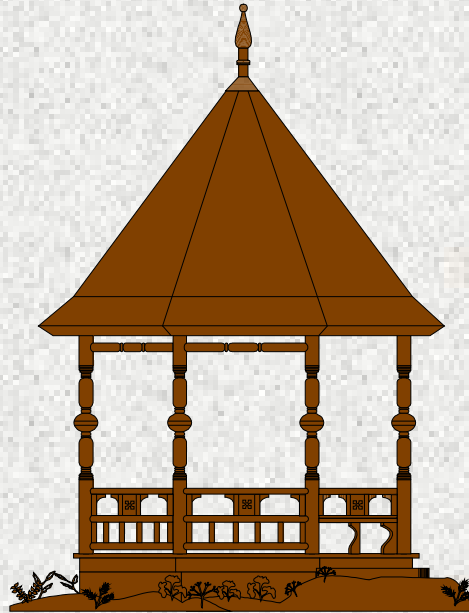
2001 CSO Table

2001 Life Affiliates Meeting

October 10, 2000

Pekin, IL





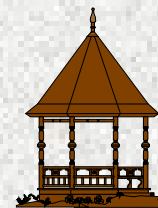
James N. Van Elsen

Consulting Actuary

Van Elsen Consulting, Inc.

Pella, IA

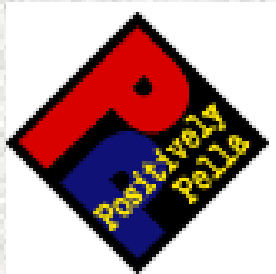
Where is Van Elsen Consulting?



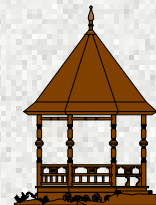
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Pella, Iowa



VIEWED TO BE THE BEST.



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Why 2001 CSO?



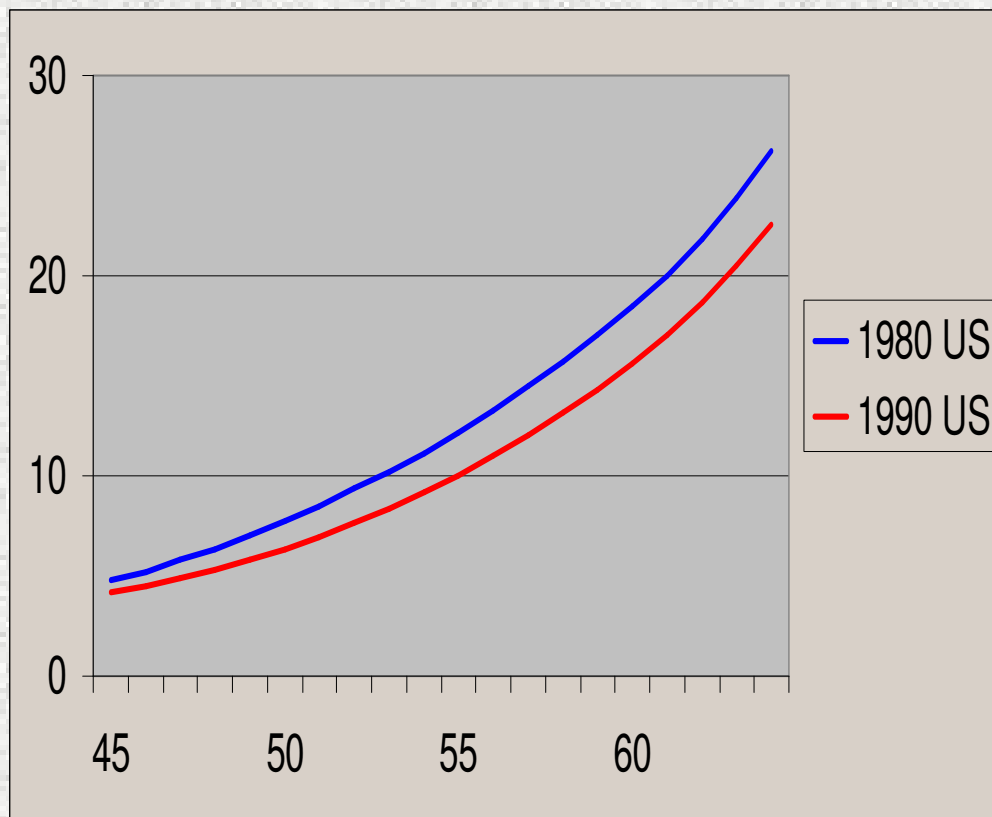
- ◆ Improved Population Mortality
- ◆ Increased Underwriting
- ◆ Pressure from “XXX” Reserves on Term
- ◆ IRS



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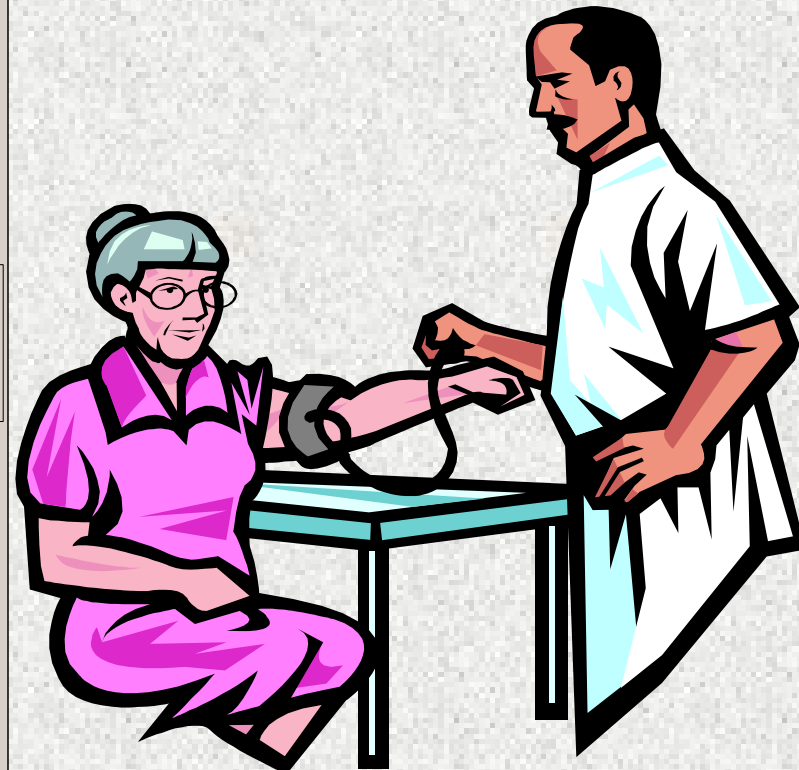
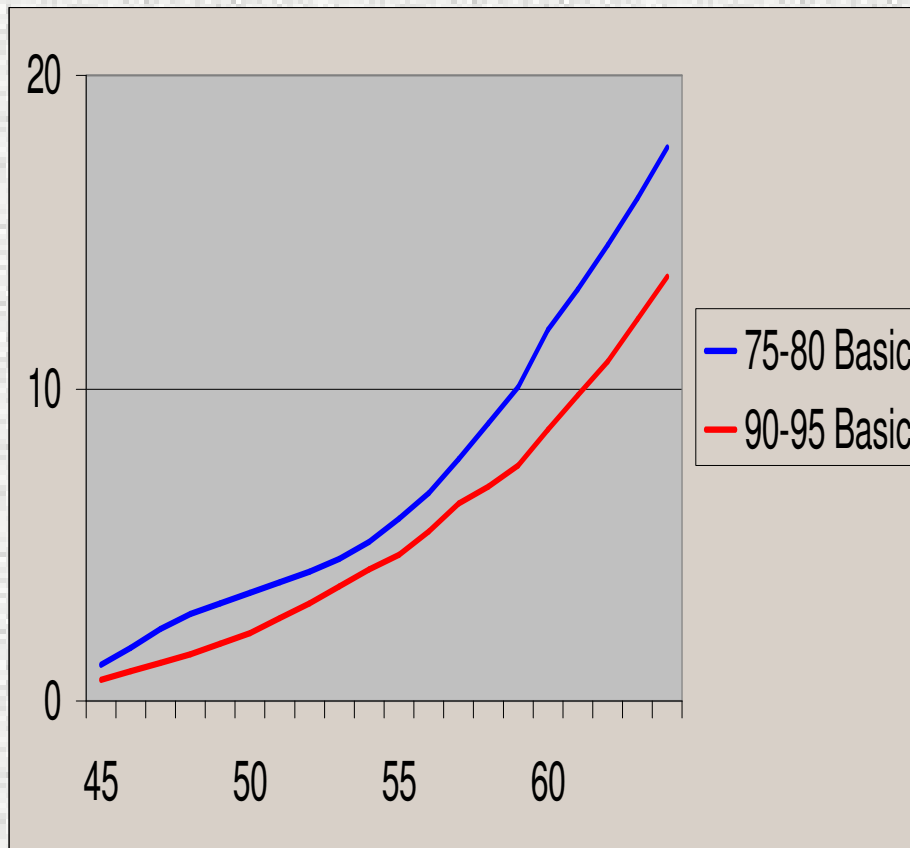
Improved Population Mortality



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Increased Underwriting



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Why Not Sooner?



- ◆ Definition of Life Insurance
- ◆ Tax Reserves
- ◆ Maximum UL Charges
- ◆ Unitary Reserves Shielded Term

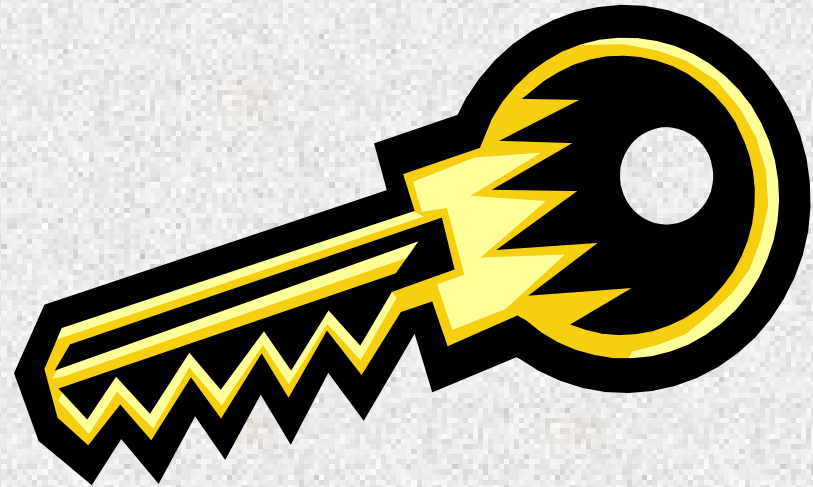


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Key Changes

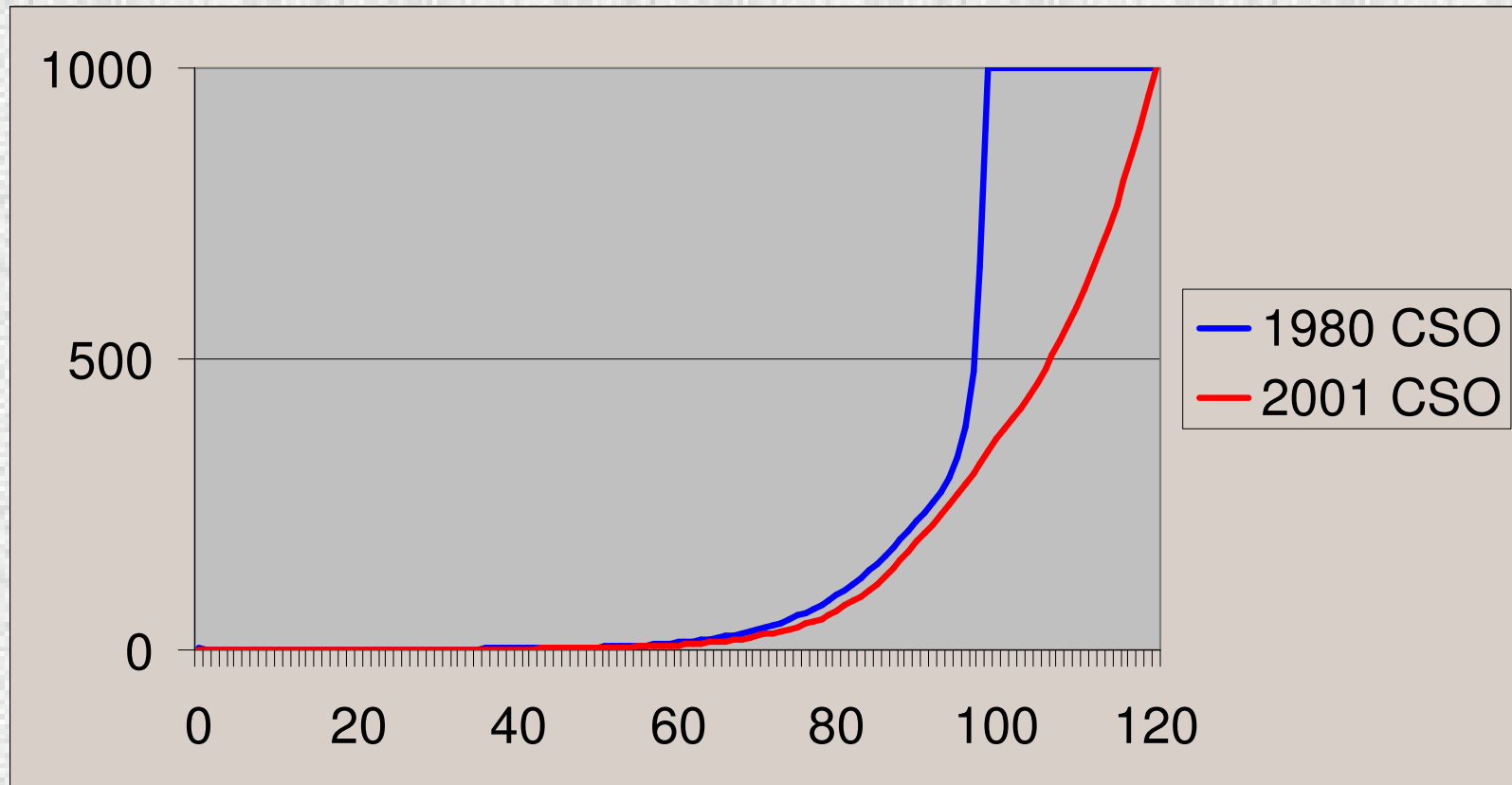
- ◆ 25-Year Select Period
- ◆ $\omega = 121$
- ◆ No ETI Table
- ◆ Gender Blended
- ◆ ALB



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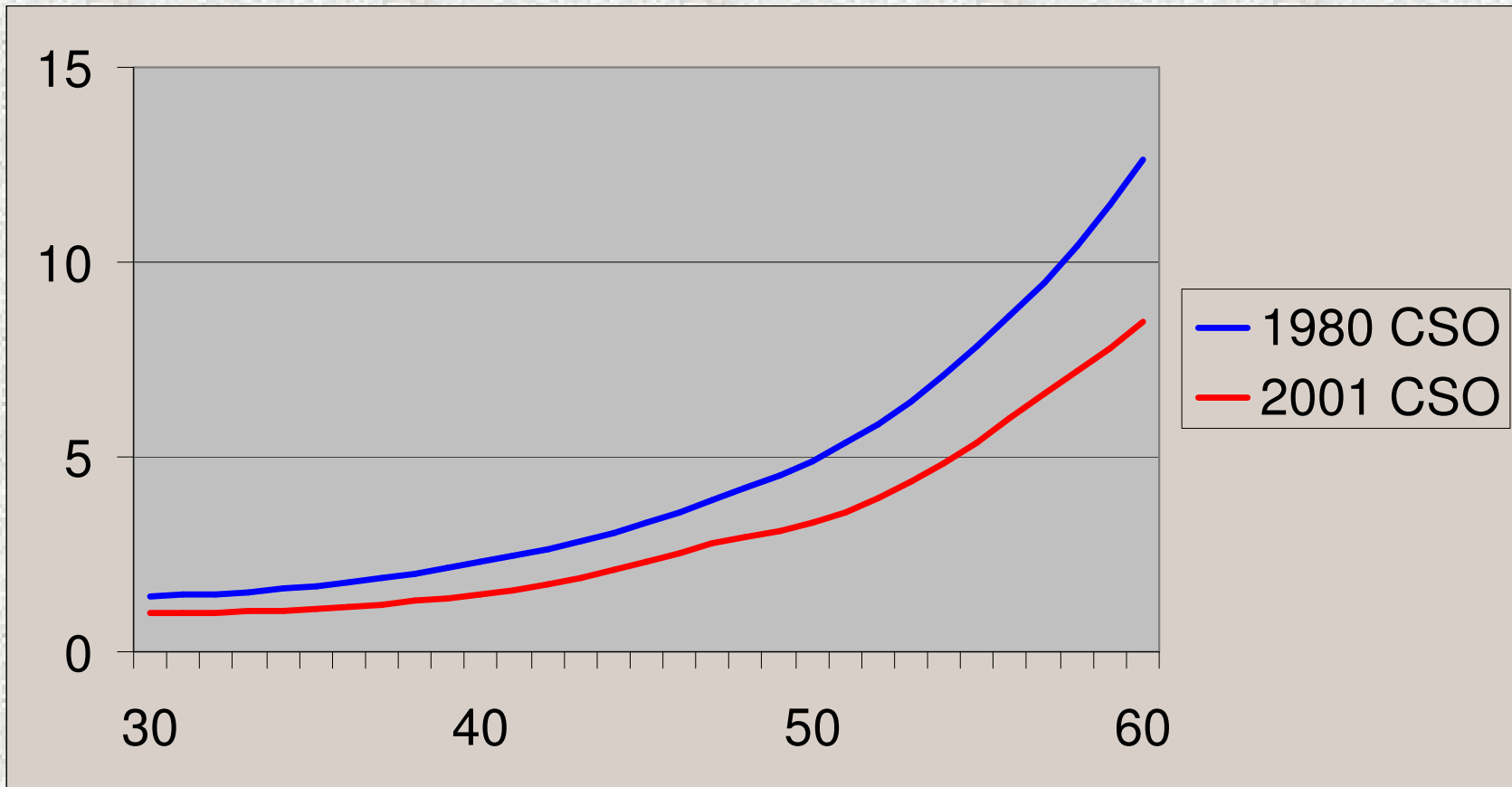
Non-Smoker Male Ultimate



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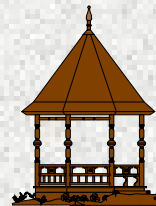
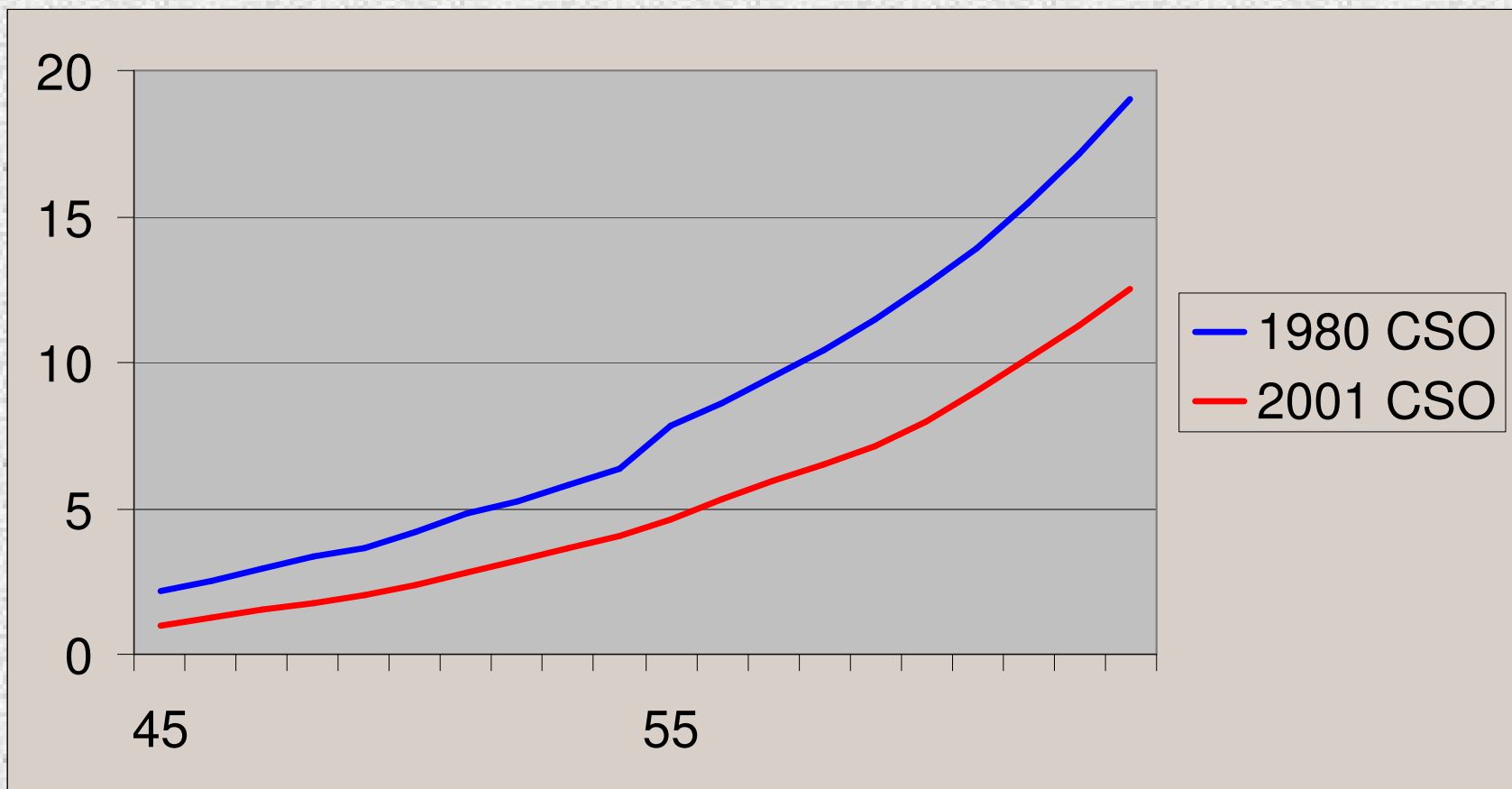
In More Detail



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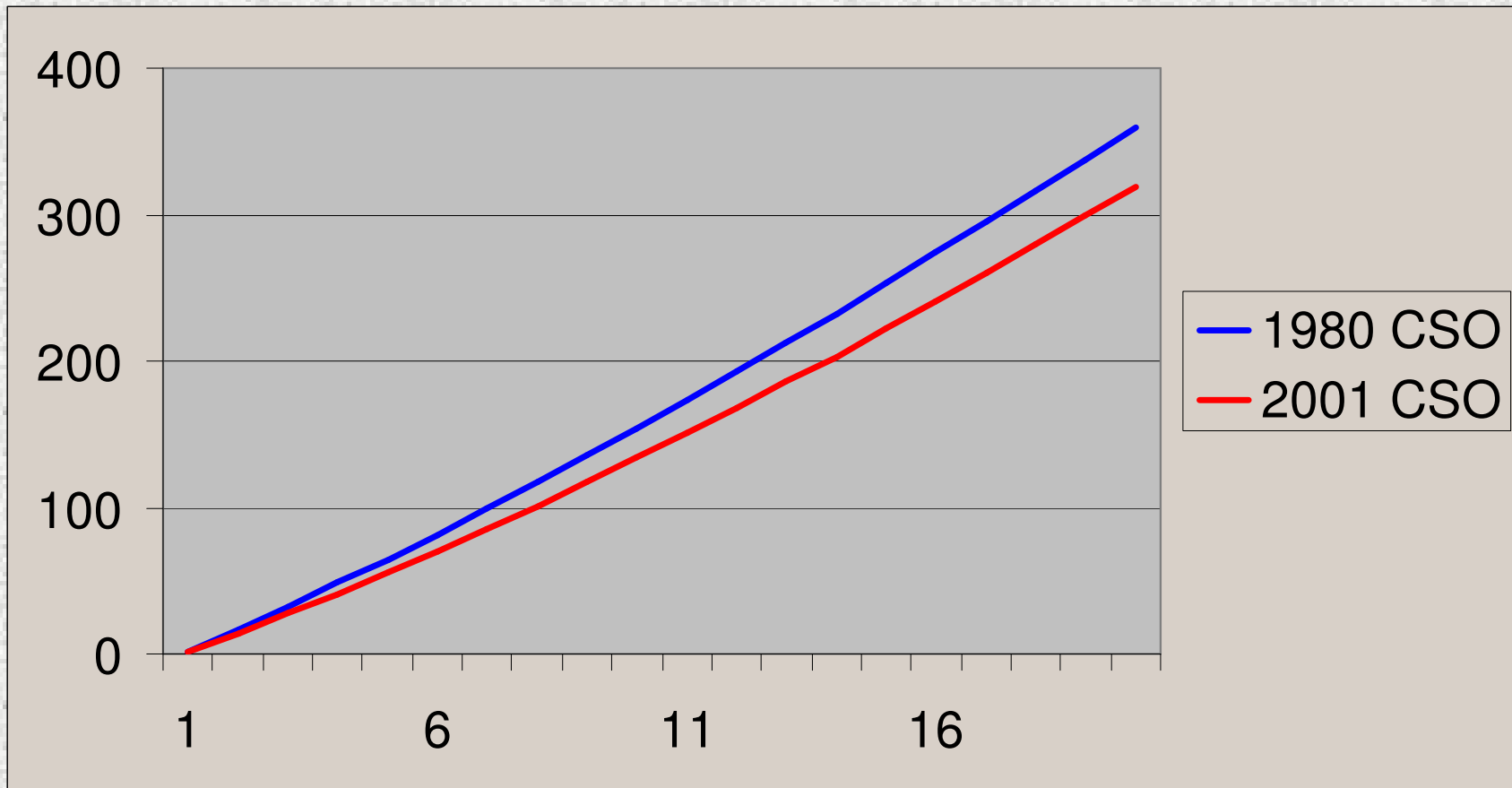
Select Period Age 45



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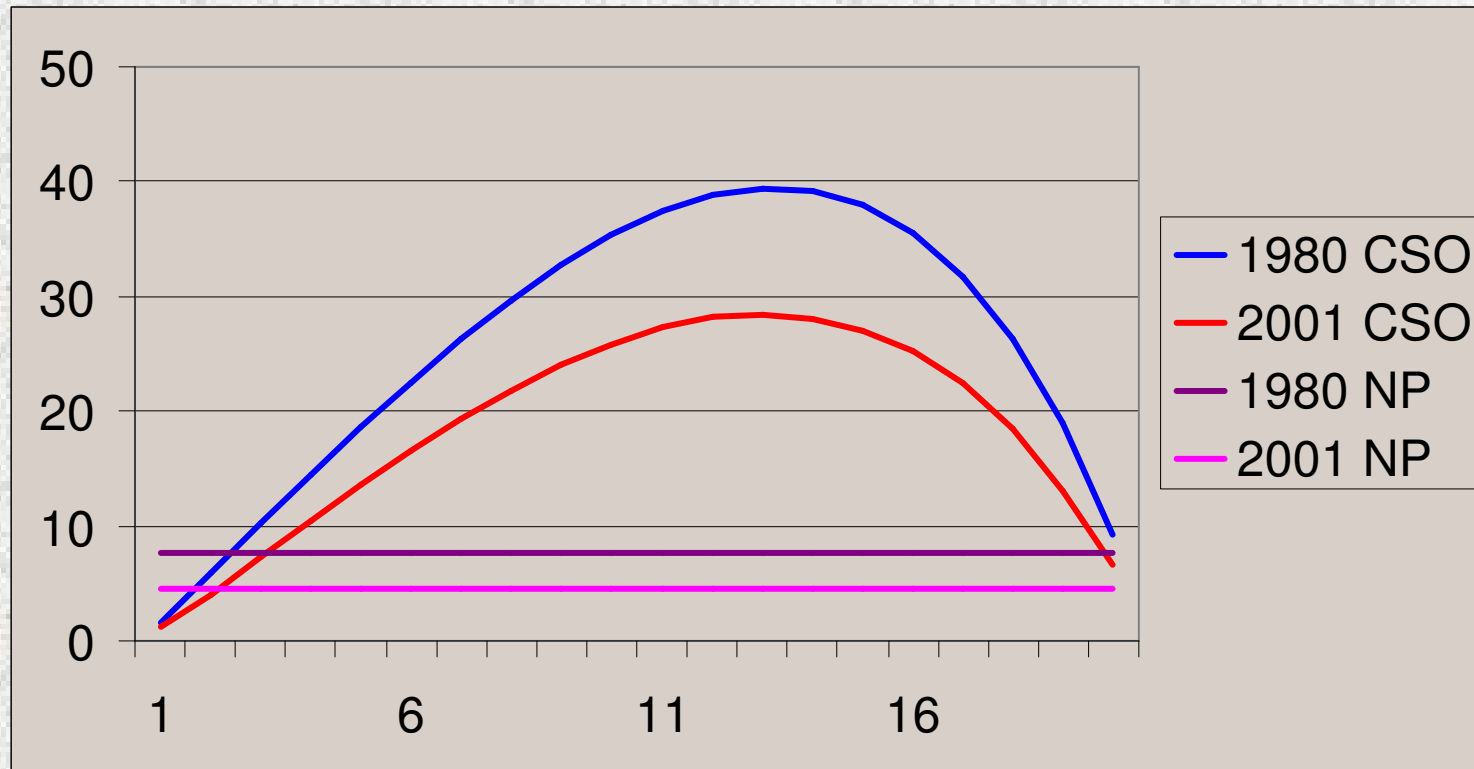
Whole Life Reserves Age 45



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20-Year Term Reserves Age 45



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Remaining Issues



- ◆ Final Tables
- ◆ Deficiency Reserves
- ◆ Non-Medical Risks
- ◆ Use of Gender Blended Tables
- ◆ Gender Blended & ALB Tables



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Impact on Term

- ◆ Little Δ on Term Rates
- ◆ Will Significantly Improve Ability to Guarantee Longer Rates
- ◆ Negative Impact on 2002 Sales?



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Impact on Whole Life

- ◆ May Significantly Decrease Premiums
- ◆ Will Reduce CV's
- ◆ Extend Past Age 100
- ◆ May Reduce Commissions



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Impact on Universal Life



- ◆ Significantly Reduce Guideline Premiums
- ◆ Significantly Reduce Maximum Charges
- ◆ May be Difficult to Illustrate Endowments
- ◆ Reduced Commissions?
- ◆ Last to Convert?

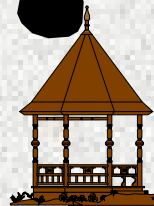


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Impact on Simplified Issue, Preneed, & Final Expense

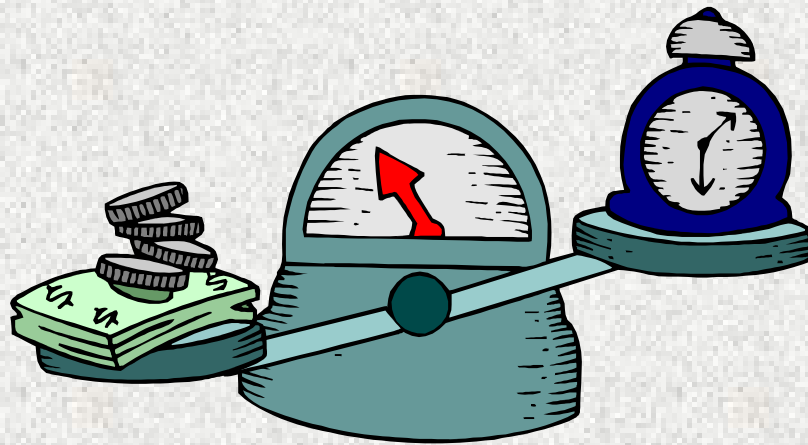
- ◆ Much Depends on How Table is Applied
- ◆ May Make it Difficult (or Impossible) to Market
- ◆ Call on Thursday is Critical



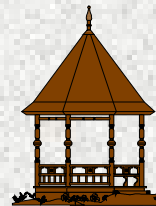
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Impact on Extended Term



- ◆ Significantly Increases Length of Extended Term
- ◆ May Make it an Unaffordable Option



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Anticipated Timeline



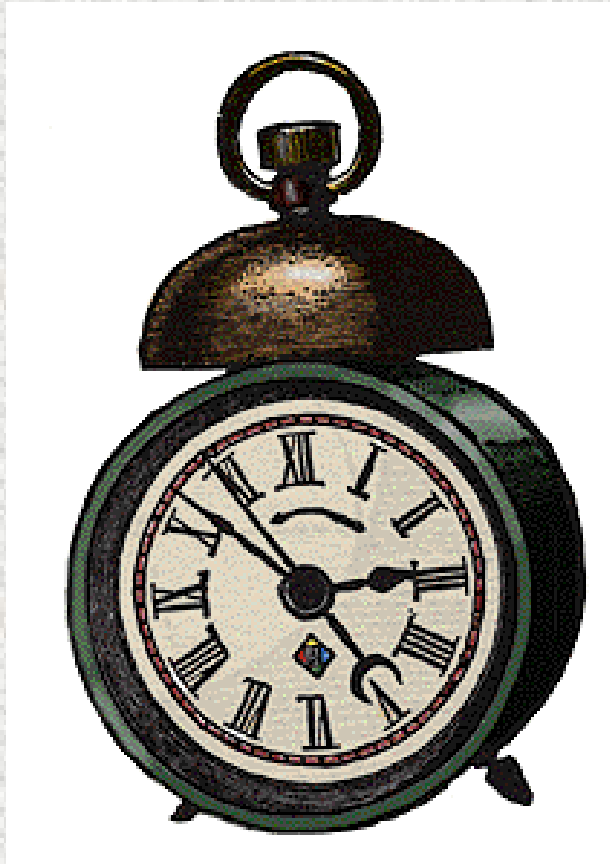
- ◆ October 11 – LHATF Exposes Regulation
- ◆ November 1 – SOA & AAA Exposes Table
- ◆ December 7 – LHATF Adopts Regulation
- ◆ December 10 – “A” Adopts Regulation



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Timeline Continued



- ◆ March 18 – NAIC Adopts Regulation
- ◆ 2002 – States Begin Adopting Regulation
- ◆ January 1, 2003 – Earliest Effective Date
- ◆ January 1, 2006 – Mandatory Effective Date

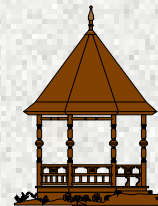


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Tax Confusion

- ◆ §807 (Tax Reserves)
Depends on 26 States,
Has 3-Year Transition
- ◆ §7702 (Definition of
Life Insurance) -
“Prevailing Mortality
Table”
- ◆ May Not Be Able to
Sell CV Life
Insurance in Some
States



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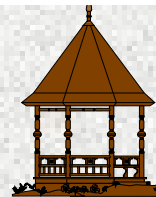
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