



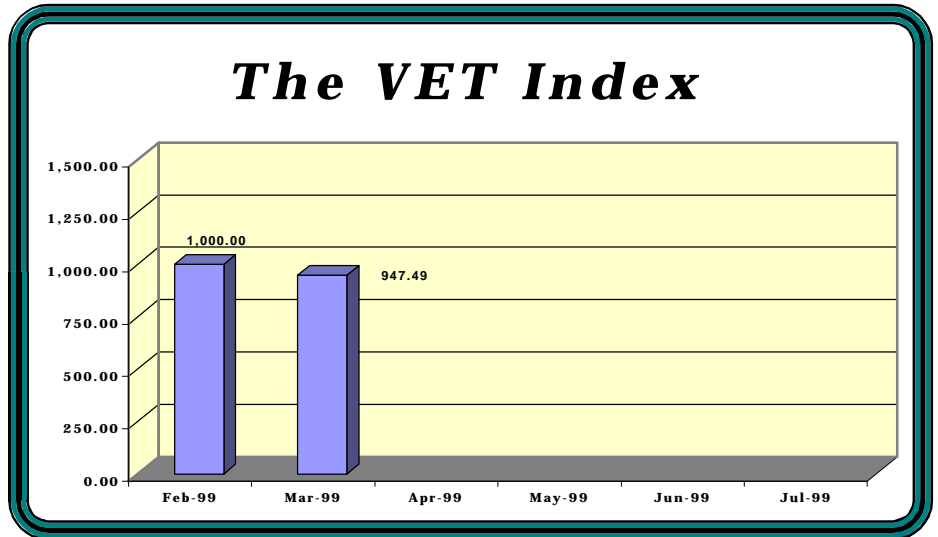
THE New Source of Information About Term Insurance

Term Rates Down 5¼% in March

The VET Index

947.48

Across the board declines in rates for all bands of term insurance in March moved **The VET Index** down by 5.25% to 947.48. The largest declines were in the 30-year term products for all bands and the \$1,000,000 minimum face policies. We anticipate this trend will continue through the year until changes to guarantees, due to XXX, drive the index back up.



Product Review

This month we are focusing on **CNA Life** who is offering a product underwritten by **Valley Forge Life Insurance Company**.

CNA ViaPro 30 is a 30-year level term insurance policy. It is written within the legal form of an adjustable

premium term to age 95. All standard waivers and riders for term insurance are available for this product. The initial premium is guaranteed to remain level for 30 years. It is convertible only until the 15th policy anniversary.

So what's new?

A premium refund. Policyholders who terminate or lapse their policies in the 7th through 26th policy year will receive a refund of a portion of the premium paid. These refunds are the difference between the rates for the 30-year level and the rates for a shorter level period. These refund amounts are guaranteed in the policy at issue.

The minimum face amount is \$50,000 for the standard classification and \$100,000 for

preferred. There is a maximum face of \$20,000,000.

A 35-year-old male, preferred nonsmoker can buy \$200,000 of coverage for \$303.00 a year.

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The Term Report
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\$100K Term Insurance Survey

Male Rates		Non-Smoker \$100,000					
		10-Year		20-Year		30-Year	
		Feb	Mar	Feb	Mar	Feb	Mar
Age 25							
Products in Survey	136	137	99	102	41	46	
Lowest	\$1.08	\$1.08	\$1.28	\$1.28	\$1.70	\$1.55	
1st Quartile	\$1.47	\$1.47	\$1.74	\$1.72	\$1.96	\$1.89	
Median	\$1.60	\$1.60	\$1.88	\$1.88	\$2.17	\$2.05	
3rd Quartile	\$1.77	\$1.77	\$2.14	\$2.15	\$2.24	\$2.24	
Highest	\$2.46	\$2.46	\$3.60	\$3.60	\$3.32	\$3.32	
Mean	\$1.62	\$1.61	\$1.96	\$1.95	\$2.18	\$2.12	
Age 45							
Products in Survey	143	145	106	111	40	47	
Lowest	\$1.99	\$1.95	\$2.68	\$2.68	\$3.88	\$3.66	
1st Quartile	\$2.67	\$2.65	\$3.63	\$3.51	\$4.34	\$4.20	
Median	\$3.00	\$3.00	\$4.06	\$4.05	\$4.81	\$4.73	
3rd Quartile	\$3.45	\$3.44	\$4.70	\$4.62	\$5.35	\$5.36	
Highest	\$6.17	\$6.17	\$9.57	\$9.57	\$7.64	\$7.64	
Mean	\$3.09	\$3.08	\$4.27	\$4.23	\$5.12	\$5.01	
Age 65							
Products in Survey	131	134	39	41	5	5	
Lowest	\$8.46	\$8.46	\$14.15	\$14.15	\$28.08	\$28.08	
1st Quartile	\$13.08	\$12.82	\$18.08	\$17.64	\$28.16	\$28.16	
Median	\$14.38	\$14.30	\$22.60	\$22.10	\$30.48	\$30.48	
3rd Quartile	\$16.82	\$16.82	\$25.51	\$25.20	\$31.16	\$31.16	
Highest	\$25.94	\$25.94	\$33.36	\$33.36	\$32.40	\$32.40	
Mean	\$14.82	\$14.67	\$22.43	\$22.28	\$30.06	\$30.06	

Male Rates		Preferred \$100,000					
		10-Year		20-Year		30-Year	
		Feb	Mar	Feb	Mar	Feb	Mar
Age 25							
Products in Survey	172	173	145	149	67	74	
Lowest	\$0.78	\$0.78	\$1.02	\$1.02	\$1.23	\$1.21	
1st Quartile	\$1.18	\$1.14	\$1.33	\$1.32	\$1.53	\$1.49	
Median	\$1.31	\$1.30	\$1.50	\$1.49	\$1.66	\$1.62	
3rd Quartile	\$1.44	\$1.44	\$1.68	\$1.68	\$1.80	\$1.73	
Highest	\$2.04	\$2.04	\$3.11	\$3.11	\$2.84	\$2.84	
Mean	\$1.30	\$1.29	\$1.53	\$1.53	\$1.69	\$1.64	
Age 45							
Products in Survey	174	175	150	154	67	75	
Lowest	\$1.32	\$1.32	\$1.87	\$1.87	\$2.60	\$2.60	
1st Quartile	\$1.86	\$1.81	\$2.44	\$2.41	\$3.11	\$3.01	
Median	\$2.15	\$2.12	\$2.82	\$2.79	\$3.47	\$3.37	
3rd Quartile	\$2.42	\$2.42	\$3.27	\$3.27	\$3.74	\$3.69	
Highest	\$3.61	\$3.61	\$7.68	\$7.68	\$6.20	\$6.20	
Mean	\$2.17	\$2.15	\$2.97	\$2.95	\$3.57	\$3.48	
Age 65							
Products in Survey	174	176	44	45	7	7	
Lowest	\$6.32	\$6.32	\$11.72	\$11.72	\$16.21	\$16.21	
1st Quartile	\$8.57	\$8.35	\$13.57	\$13.64	\$20.19	\$20.19	
Median	\$9.71	\$9.58	\$15.98	\$15.95	\$21.56	\$21.56	
3rd Quartile	\$11.22	\$11.10	\$18.75	\$18.48	\$22.82	\$22.82	
Highest	\$15.89	\$15.89	\$25.32	\$25.32	\$25.16	\$25.16	
Mean	\$9.95	\$9.87	\$16.79	\$16.74	\$21.28	\$21.28	

\$250K Term Insurance Survey

Male Rates		Non-Smoker \$250,000					
		10-Year		20-Year		30-Year	
		Feb	Mar	Feb	Mar	Feb	Mar
Age 25							
Products in Survey	161	165	117	123	49	58	
Lowest	\$0.78	\$0.72	\$0.97	\$0.97	\$1.15	\$1.10	
1st Quartile	\$1.05	\$1.04	\$1.28	\$1.30	\$1.55	\$1.50	
Median	\$1.16	\$1.15	\$1.44	\$1.43	\$1.72	\$1.62	
3rd Quartile	\$1.30	\$1.30	\$1.62	\$1.62	\$1.88	\$1.87	
Highest	\$1.85	\$1.85	\$3.24	\$3.24	\$2.84	\$2.84	
Mean	\$1.18	\$1.17	\$1.50	\$1.49	\$1.73	\$1.69	
Age 45							
Products in Survey	161	166	117	124	48	57	
Lowest	\$1.49	\$1.46	\$2.24	\$2.24	\$3.03	\$3.03	
1st Quartile	\$2.14	\$2.12	\$3.00	\$2.94	\$3.74	\$3.69	
Median	\$2.44	\$2.42	\$3.41	\$3.41	\$4.29	\$4.19	
3rd Quartile	\$2.83	\$2.81	\$4.02	\$3.97	\$4.67	\$4.75	
Highest	\$6.02	\$6.02	\$9.21	\$9.21	\$7.57	\$7.57	
Mean	\$2.55	\$2.52	\$3.64	\$3.59	\$4.52	\$4.43	
Age 65							
Products in Survey	148	153	42	44	6	6	
Lowest	\$8.04	\$8.04	\$13.70	\$13.70	\$27.68	\$27.68	
1st Quartile	\$12.17	\$11.83	\$17.59	\$17.26	\$28.41	\$28.41	
Median	\$13.50	\$13.26	\$21.61	\$21.39	\$30.58	\$30.58	
3rd Quartile	\$15.24	\$15.05	\$24.63	\$24.21	\$31.70	\$31.70	
Highest	\$25.79	\$25.79	\$33.00	\$33.00	\$36.13	\$36.13	
Mean	\$13.76	\$13.59	\$21.86	\$21.72	\$30.79	\$30.79	
Male Rates		Preferred \$250,000					
		10-Year		20-Year		30-Year	
		Feb	Mar	Feb	Mar	Feb	Mar
Age 25							
Products in Survey	207	209	171	176	81	90	
Lowest	\$0.54	\$0.50	\$0.68	\$0.68	\$0.83	\$0.76	
1st Quartile	\$0.75	\$0.74	\$0.90	\$0.89	\$1.15	\$1.09	
Median	\$0.85	\$0.84	\$1.04	\$1.02	\$1.23	\$1.20	
3rd Quartile	\$0.97	\$0.96	\$1.20	\$1.20	\$1.38	\$1.35	
Highest	\$1.53	\$1.53	\$2.73	\$2.73	\$2.36	\$2.36	
Mean	\$0.87	\$0.86	\$1.07	\$1.07	\$1.27	\$1.23	
Age 45							
Products in Survey	211	214	173	179	80	89	
Lowest	\$0.96	\$0.92	\$1.50	\$1.50	\$2.09	\$2.09	
1st Quartile	\$1.41	\$1.37	\$1.91	\$1.89	\$2.63	\$2.56	
Median	\$1.60	\$1.59	\$2.26	\$2.25	\$2.88	\$2.81	
3rd Quartile	\$1.89	\$1.86	\$2.63	\$2.63	\$3.21	\$3.16	
Highest	\$3.31	\$3.31	\$7.32	\$7.32	\$5.72	\$5.72	
Mean	\$1.67	\$1.66	\$2.40	\$2.39	\$3.05	\$2.98	
Age 65							
Products in Survey	202	205	48	49	8	8	
Lowest	\$5.81	\$5.60	\$11.51	\$11.51	\$16.21	\$16.21	
1st Quartile	\$7.75	\$7.60	\$12.77	\$12.85	\$20.51	\$20.51	
Median	\$8.86	\$8.81	\$15.56	\$15.47	\$21.48	\$21.48	
3rd Quartile	\$10.22	\$10.06	\$19.28	\$18.99	\$23.72	\$23.72	
Highest	\$15.59	\$15.59	\$24.96	\$24.96	\$32.11	\$32.11	
Mean	\$9.14	\$9.05	\$16.29	\$16.25	\$22.42	\$22.42	

\$1,000K Term Insurance Survey

Male Rates		Non-Smoker \$1,000,000					
		10-Year		20-Year		30-Year	
		Feb	Mar	Feb	Mar	Feb	Mar
Age 25							
Products in Survey	163	168	120	127	50	59	
Lowest	\$0.63	\$0.54	\$0.82	\$0.82	\$1.01	\$0.88	
1st Quartile	\$0.85	\$0.83	\$1.10	\$1.08	\$1.35	\$1.29	
Median	\$0.95	\$0.94	\$1.24	\$1.23	\$1.51	\$1.47	
3rd Quartile	\$1.10	\$1.10	\$1.41	\$1.41	\$1.68	\$1.65	
Highest	\$1.76	\$1.76	\$3.06	\$3.06	\$2.60	\$2.60	
Mean	\$0.98	\$0.97	\$1.30	\$1.29	\$1.54	\$1.50	
Age 45							
Products in Survey	163	168	120	127	49	42	
Lowest	\$1.34	\$1.28	\$2.09	\$2.09	\$2.89	\$2.42	
1st Quartile	\$1.95	\$1.90	\$2.77	\$2.74	\$3.51	\$2.66	
Median	\$2.21	\$2.19	\$3.17	\$3.16	\$4.11	\$2.91	
3rd Quartile	\$2.58	\$2.57	\$3.70	\$3.66	\$4.42	\$3.14	
Highest	\$5.95	\$5.95	\$9.03	\$9.03	\$7.57	\$5.48	
Mean	\$2.33	\$2.30	\$3.41	\$3.37	\$4.32	\$3.06	
Age 65							
Products in Survey	149	154	42	44	6	6	
Lowest	\$7.55	\$7.55	\$13.48	\$13.48	\$27.44	\$27.44	
1st Quartile	\$11.79	\$11.29	\$17.40	\$17.08	\$28.27	\$28.27	
Median	\$13.04	\$12.96	\$21.01	\$21.01	\$30.46	\$30.46	
3rd Quartile	\$14.66	\$14.59	\$24.47	\$24.08	\$31.52	\$31.52	
Highest	\$25.72	\$25.72	\$32.82	\$32.82	\$34.76	\$34.76	
Mean	\$13.42	\$13.25	\$21.55	\$21.42	\$30.42	\$30.42	
Male Rates		Preferred \$1,000,000					
		10-Year		20-Year		30-Year	
		Feb	Mar	Feb	Mar	Feb	Mar
Age 25							
Products in Survey	215	218	178	184	85	94	
Lowest	\$0.34	\$0.32	\$0.54	\$0.54	\$0.69	\$0.54	
1st Quartile	\$0.54	\$0.53	\$0.70	\$0.70	\$0.96	\$0.92	
Median	\$0.64	\$0.63	\$0.84	\$0.82	\$1.02	\$1.02	
3rd Quartile	\$0.74	\$0.74	\$0.98	\$0.97	\$1.18	\$1.14	
Highest	\$1.38	\$1.38	\$2.54	\$2.54	\$2.12	\$2.12	
Mean	\$0.66	\$0.65	\$0.87	\$0.87	\$1.09	\$1.06	
Age 45							
Products in Survey	216	219	179	185	84	93	
Lowest	\$0.81	\$0.74	\$1.31	\$1.31	\$1.95	\$1.95	
1st Quartile	\$1.18	\$1.15	\$1.70	\$1.68	\$2.40	\$2.37	
Median	\$1.38	\$1.37	\$2.05	\$2.03	\$2.69	\$2.66	
3rd Quartile	\$1.65	\$1.64	\$2.40	\$2.40	\$3.02	\$2.94	
Highest	\$3.16	\$3.16	\$7.14	\$7.14	\$5.48	\$5.48	
Mean	\$1.45	\$1.44	\$2.17	\$2.16	\$2.85	\$2.79	
Age 65							
Products in Survey	207	210	48	49	8	8	
Lowest	\$5.26	\$5.26	\$10.98	\$10.98	\$16.21	\$16.21	
1st Quartile	\$7.42	\$7.28	\$12.32	\$12.32	\$20.37	\$20.37	
Median	\$8.57	\$8.50	\$15.16	\$15.09	\$21.36	\$21.36	
3rd Quartile	\$9.84	\$9.82	\$18.80	\$18.71	\$23.53	\$23.53	
Highest	\$15.16	\$15.16	\$24.78	\$24.78	\$28.89	\$28.89	
Mean	\$8.81	\$8.73	\$15.92	\$15.88	\$21.91	\$21.91	

XXX Update

States Likely to Adopt XXX Effective January 1, 2000 (18 States)



Arizona	Reviewing with eye to 1/1/2000. Checking against statutes now.
Arkansas	Moving toward 1/1/2000.
California	Working with industry to adopt 1/1/2000 via a bulletin.
Colorado	Process begins in June with projected 1/1/2000 effective date.
Illinois	Will adopt when regulation ban is lifted. 1/1/2000 effective date.
Kansas	Process moving to 1/1/2000 effective date.
Maine	Adopting effective 1/1/2000.
Minnesota	Adopting effective 1/1/2000.
Mississippi	Reviewing, but will probably have by the end of the year.
Montana	Department likely to adopt the 1999 version. 1/1/2000 effective date.
Nevada	Plan to adopt before end of year. 1/1/2000 effective date.
New Mexico	Intend hearings this summer with 1/1/2000 effective date.
North Carolina	Revision to new regulation will be effective 1/1/2000.
North Dakota	Plan to adopt effective 1/1/2000.
Ohio	Drafting with hopes of 1/1/2000 effective date.
Pennsylvania	Hope to adopt effective 1/1/2000.
Utah	Have plan in place to adopt effective 1/1/2000.
Wisconsin	In process. Plan to have adopted by 8/1/99, effective 1/1/2000.

States Under Active Review of XXX (10 States)



Connecticut	Under review, positive towards XXX.
Delaware	Under review.
Iowa	Anticipate informal exposure soon. Domestic companies split on adoption.
Maryland	In commissioner's hands. (51% state).
Missouri	Currently reviewing.
New York	Department indicates that will be adopted early next year. Industry feels that 1/1/2000 effective date is possible.
Oregon	Fully intend to address in 1999.
Texas	Staff is working to propose for adoption. If not adopted, the 1995 version of the regulation would become effective on 1/1/2000.
Virginia	Drafting but unsure of effective date.
West Virginia	Waiting until a majority of states adopt. Old regulation has been repealed.

States Without a Current Position on XXX (20 States & DC)



Alabama	Still monitoring
Alaska	No action at this time.
District of Columbia	On hold.
Georgia	No action at this time.
Hawaii	Have not looked at the most recent version of XXX.
Idaho	No action at this time.
Indiana	Reviewed, on hold.
Kentucky	No action at this time.
Louisiana	Wait & see what other states do.
Massachusetts	On hold.
Michigan	Under review.
Nebraska	On hold.
New Hampshire	No position.

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New Jersey
Oklahoma
Rhode Island
South Carolina
South Dakota
Tennessee
Vermont
Wyoming

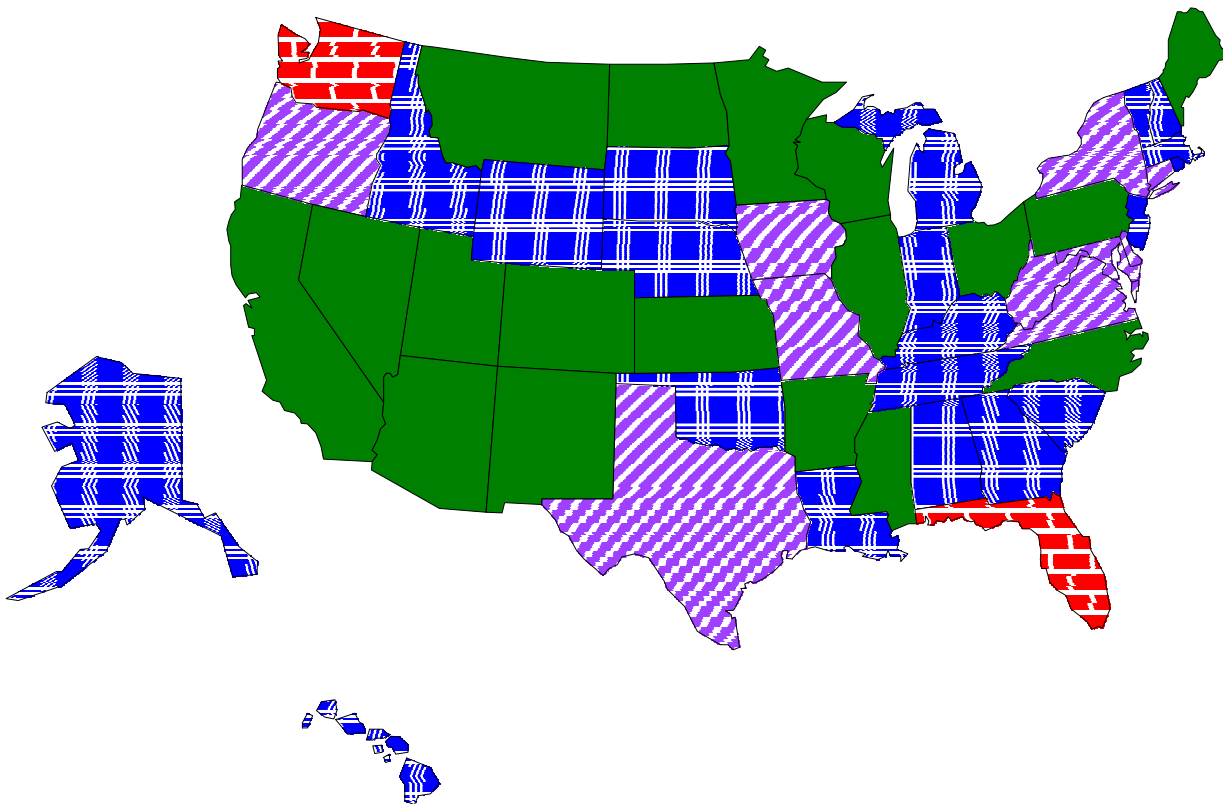
June 17, 1999

Under review.
No action at this time.
Still tracking progress. Can move quickly to adopt, if necessary.
Reviewing.
No position.
No action at this time.
Under review.
On hold.

States With Adverse Positions on XXX (2 States)



Florida Bill to permit the Department of Insurance to adopt died with no floor action.
Washington Department of Insurance staff has recommended adoption without the X factor.



XXX Q & A

Can I use my reinsurer's experience to set my X factor?

This has been one of the most frequently asked questions since XXX was adopted. The answer will depend greatly on the specific situation. Guidance for this issue should come in the near future if the Actuarial Standards Board issues an Actuarial Standard of Practice for XXX. In the meantime, appointed actuaries will need to use professional judgment in determining what information to consider when setting the X factor.

In general, the X factor should be based on the best estimate the appointed actuary has of what anticipated mortality will be. The actuary would be expected to use all available information in making this estimate. That may include recent mortality studies of this, or similar business. It could also include industry mortality studies or reinsurance mortality studies. The closer the information is to the business being modeled, the better.

When initially setting up the factor, the actuary may have to make judgments based on limited information. This is particularly true when there are new underwriting classifications, marketing arrangements, or other changes which could affect expected mortality. In these circumstances, the appointed actuary may find assistance from reinsurers to be very helpful in setting the level of the X factor. It may be the only useful information available to the actuary.

As time elapses, however, the actuary must consider the emerging experience in evaluating the appropriateness of the X factor used. Unless there is a perfect match between reinsured business and adjusted business, the reinsurance experience would not be appropriate to use to make this evaluation. The X factor is based on the company's anticipated mortality experience, not the reinsurers.

It is commonly felt by regulators that if a company is large enough to use the X factor, it is large enough to justify its use. The regulators seem unified in expecting companies to prepare studies to document the appropriateness of the chosen factor. One method of doing this is described in an article written by Larry Gorski, actuary from the Illinois Insurance Department. This article can be found in the May 1999 edition of *The Financial Reporter* and also in Appendix B of [The XXX Manual](#) (published by [Van Elsen Consulting](#)).

Welcome Back Terry

Van Elsen Consulting is proud to welcome back Terry Hilker to our firm. Terry left us to join the actuarial programming staff of Wellmark Blue Cross Blue Shield of Iowa. He returned to our firm this May.

Terry's new responsibilities with **Van Elsen Consulting** include writing and editing **The Term Report**. He will also be assisting with the many term product development projects that have come our way in the last few months. Terry also promises us that we will not have any Y2K problems at the end of this year or early next year.

Where Are . . . ?

- ▶ Past issues of **The Term Report**. The last full issue was published in February 1999. A small, special edition was prepared in May updating the status of XXX. If you haven't received this, let us know. Future editions will be published frequently until we are current with our commitments.
- ▶ June issue of **The Van Elsen Report**. This will be published this weekend, on schedule.
- ▶ **XXX Manual**. All manuals will be mailed out on June 21.

Van Elsen Consulting

Van Elsen Consulting is an actuarial consulting firm. **James N. Van Elsen, FSA, MAAA** is the firm's owner and is responsible for the work completed. We specialize in product development and in serving the needs of smaller life insurance companies.

As you consider your product development needs in the future, consider the following:

- **What did your consulting firm do to help solve the impending disaster in the 1999 term market?**
Van Elsen Consulting was the only consulting firm actively working to solve the XXX crisis.
- **What did your consulting firm do to help companies respond to the urgent needs for calculating XXX reserves?**
Van Elsen Consulting produced an Excel spreadsheet to calculate XXX reserves and provided it to all companies at a very reasonable cost. Many of the industry's top term insurance companies are using this spreadsheet to prepare for the 2000 implementation of XXX.
- **When did your consulting firm learn how to work with XXX?**
Van Elsen Consulting has been involved with XXX since 1991. **James N. Van Elsen** was one of the primary brokers of the compromise that allowed the 1999 version of XXX to be adopted by the NAIC. Without this compromise, the industry was faced with uneven adoption of the 1995 version of XXX.

As you consider your valuation actuary needs in the future, consider the following:

- **What is your consulting firm doing to help reduce the burden of valuation requirements for smaller companies?**
Van Elsen Consulting is the only consulting firm fighting for more reasonableness in requirements for smaller companies. Many larger consulting firms have held that all life insurance companies should be subject to Section 8 opinions (Asset Adequacy Analysis), despite the cost or benefit to their clients.

As you consider your actuarial consulting needs in the future, consider the firm that works hard to reduce the cost of regulation for its clients.

Call Van Elsen Consulting!!!

James N. Van Elsen, FSA, MAAA

Lois Mast

Terry Hilker

Beth Ann Van Elsen

Sarah Ann Van Elsen