

Appendix E

Overall Impact of 2001 CSO Table

The 2001 CSO Table produces reserves that are different from those produced by the existing valuation standard, the 1980 CSO Table. To facilitate comparison of reserves based on these two tables, the model office described in Appendix D was used to aggregate results overall and for various segments of business. A comparison of reserves produced by these two tables is shown below.

Table E-1
Reserves Produced by the 2001 CSO Table
Divided by Reserves Produced by the 1980 CSO Table
(aggregated results)

	<u>After</u> <u>10 years</u>	<u>After</u> <u>20 years</u>
Overall	78.0%	81.4%
Gender		
Male	75.5%	79.3%
Female	84.6%	86.5%
Plan		
Whole Life	84.8%	86.0%
20 Year Term	67.1%	67.5%
UL – Level Premium to Zero	94.3%	98.1%
Age		
25	80.2%	84.1%
35	74.2%	79.1%
45	76.9%	80.5%
55	78.3%	81.1%
65	81.9%	84.2%

This shows that overall reserves will be lower under the table by about 20 percent. It also shows:

- The reduction will be larger for males than for females, reflecting the larger reduction in mortality rates for males.

- Term insurance will see the largest reductions, followed by whole life. The level premium to zero UL plan shows the smallest reductions because reserves cannot be less than cash values and the cash value determines the reserve, typically by the 6th to 8th duration under both the old and new tables. We did not compare UL Model Regulation reserves for higher premium UL plans, because the cash value determines the reserve at even earlier durations. After this happens, reserves under either table will be the same.
- Age 35 will see the biggest reductions while ages 25 and 65 will see the smallest.

The following tables give more details on this comparison.

Table E-2
Reserves Produced by the 2001 CSO Table
Divided by Reserves Produced by the 1980 CSO Table
(details – after 10 years)

	Age 25	Age 35	Age 45	Age 55	Age 65	All Ages
Male						
Whole Life	80.0%	82.0%	83.5%	86.3%	89.7%	84.1%
20 Year Term	47.0%	57.8%	60.9%	67.3%	77.4%	65.2%
Level Premium to Zero UL	92.6%	92.6%	93.6%	94.7%	95.7%	94.0%
All Male	77.2%	72.2%	72.2%	76.0%	83.1%	75.5%
Female						
Whole Life	86.1%	86.9%	90.2%	85.1%	80.0%	85.8%
20 Year Term	58.9%	61.7%	92.0%	81.2%	67.1%	76.7%
Level Premium to Zero UL	94.3%	94.3%	96.4%	95.4%	94.1%	95.0%
All Female	30.0%	36.6%	45.3%	33.6%	26.0%	84.6%
Male and Female Combined						
Whole Life	82.6%	83.6%	85.8%	85.8%	84.9%	84.8%
20 Year Term	50.9%	58.8%	66.2%	69.1%	76.2%	67.1%
Level Premium to Zero UL	93.3%	93.1%	94.4%	94.9%	95.3%	94.3%
All	80.2%	74.2%	76.9%	78.3%	81.9%	78.0%

Table E-3
Reserves Produced by the 2001 CSO Table
Divided by Reserves Produced by the 1980 CSO Table
(details – after 20 years)

	Age 25	Age 35	Age 45	Age 55	Age 65	All Ages
Male						
Whole Life	81.2%	83.4%	85.7%	88.8%	93.1%	86.0%
20 Year Term	48.4%	57.5%	61.7%	67.4%	78.0%	65.7%
Level Premium to Zero UL	97.7%	97.7%	97.7%	98.2%	98.4%	97.9%
All Male	81.8%	76.7%	76.4%	79.5%	86.0%	79.3%
Female						
Whole Life	86.8%	88.9%	89.7%	84.5%	80.6%	86.1%
20 Year Term	56.4%	65.8%	93.4%	79.3%	64.6%	77.0%
Level Premium to Zero UL	98.2%	98.2%	98.7%	98.5%	98.0%	98.3%
All Female	87.4%	84.8%	92.1%	85.5%	80.1%	86.5%
Male and Female Combined						
Whole Life	83.6%	85.2%	87.1%	86.9%	86.7%	86.0%
20 Year Term	51.0%	59.5%	67.0%	68.9%	76.3%	67.5%
Level Premium to Zero UL	97.9%	97.9%	98.0%	98.2%	98.3%	98.1%
All	84.1%	79.1%	80.5%	81.1%	84.2%	81.4%