

Joint AAA/SOA Preferred Mortality Project Status Report

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PM Project Status Report

- Experience Analysis stage of project is in full force
- Experience Analysis team and Valuation Basic Table Team are coordinating their efforts
- Experience Analysis has identified anomalous preliminary results as will be discussed
- Identification of anomalous results has also kept the Data Validation Team active



Anomalous Results

- Basic experience analysis tool
 - Comparing results from different experience studies
- A/E results from 2000-2001 Experience Study compared to 2002-2004 Experience Study
 - Expected Mortality based 2001 VBT
 - Results are from 2002-2004 Study (All companies)
 - 2002-2004 A/E ratios showed 20% improvement from 2000-2001 study



Potential Explanations for Anomalous Results

- Different insurers
- Different mix of business products
- Problems with 2000-2001 Experience Study
- Problems with 2002-2004 Experience Studies



Potential Explanations of Anomalous Results

- Documentation and comparisons with the results from the 2002-2004 Study indicates that there were problems with the 2000-2001 Experience Study
- Comparing “overlapping” companies from the 2000-2001 Experience Study to the 2002-2004 Experience Study did not improve the comparison between studies



Response to situation

- Contributions from 7 insurers have been temporarily dropped from the 2002-2004 Experience Study
 - Suspected problem with late reporting of death claims (4)
 - Unusual fluctuations in results from study to study (3)



ILEC 2002-2004 Preliminary results reflecting responses

Select & Ultimate

- Oct 10 - 70.7%
- Nov 15 - 73.8%

Select

- Oct 10 - 67.9%
- Nov 15 - 71.5%



Unpublished Adjustments to 2000-2001 Experience

- Eliminating submissions from 2 of the 3 companies with unusual fluctuations from study to study lowered the aggregate A/E ratio from 88% to 78%.



Impact on PBR mortality tables

- Under discussion between representatives of the Joint AAA/SOA PM Valuation Basic Table Team and AAA Life Reserve Working Group

