



# American Academy of Actuaries

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## Group Term Life Waiver Valuation Table Update

Group Term Life Waiver Table Work Group  
Shawn Loftus, FSA, MAAA, Chair





# Waiver: Group vs. Individual

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- There are significant differences in how waiver reserves are computed for group versus individual life.
  - For individual life, the waiver reserve is usually the present value of the future waived premium.
  - For group life, which is generally an annual term product, the waiver reserve is the present value of future claims.
  - The present value of future claims is calculated using a double decrement table with mortality and recovery rates.





# Group Life Waiver Valuation

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- Waiver reserves are significant, long-term reserves for group life insurers.
- Group life waiver reserves are not addressed directly in the standard valuation law.
- There is no prescribed table for the use of group term waiver of premium reserves.
- Most insurers use the 1970 Intercompany Group Life Disability Experience Table, which is based on data from the 1950s and 1960s (Krieger Table).





# SOA 2005 Experience Table

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- SOA Group Life Experience Committee (GLEC) began updating the Krieger Table in 2002.
- Developed the 2005 Group Term Life Waiver Reserve Table (2005 Table) which is described in a March 2006 SOA Report.
- Covers claims open during 1993-2002.
- Considers ~6 times the life-years and ~60 times the face amount used for the Krieger Table.
- Sex distinct with separate tables for “Select” and “Ultimate”.





# LHATF's Charge to the AAA

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- Review the tables presented by the SOA
- Recommend appropriate margins
- Recommend appropriate use of the tables, later clarified to include:
  - Use of company experience
  - Appropriate interest rate
  - Need for changes to the SVL
- Academy deliverables for September LHATF in DC
  - Draft Model Rule
  - Valuation tables
  - Summary report





# Academy GTLWT Work Group

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- Shawn Loftus, Chair
- Susan Sames, Chair of SOA GLEC
- John Bettano, Vice-Chair of SOA GLEC
- John Englehardt
- Scott Fitzpatrick
- Scott Haglund
- Elizabeth Horvath
- Jack Luff
- Jacob McCoy
- Steven Ostlund
- Jim Stockall
- Patrick Wallner
- Feng Zhao





# Margin Considerations

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- SOA recommended 25% for mortality and 35% for recovery.
- Developed separately, modeling Krieger's approach.
- Cover a high portion of the exposures:
  - Mortality: 97% of select and 98% of ultimate
  - Recovery: 96% of select and 85% of ultimate
- Question: Are these margins appropriate?





# Experience Considerations

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- Individual company experience will differ based on group characteristics, contractual benefits and company practices.
- Feedback from companies indicates a desire to allow incorporating company experience in the early durations.
- Allowing company adjustments would be consistent with principles-based reserving and group long-term disability (LTD).
- Credibility: 83% of exposure from 6 of 17 companies.







# Interest Rate Considerations

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- Whole life rate vs. SPIA minus 1%
- Waiver has less C3 risk than whole life insurance.
- The waiver benefit hinges on continuing disability like LTD.
- Similar to SPDA with no cash settlement.
- SPIA rates are more responsive than whole life rates.
- The work group strongly favors SPIA minus 1%.





# SVL and Manual Considerations

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- Research the need for changes to the SVL
- Other implementation issues:
  - Applicable types of business
  - Transition considerations





# GTLWT WG Project Plan

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- Obtain LHATF guidance (June NAIC in San Francisco)
- Develop recommendations for final tables with margins (June – Aug)
  - Update LHATF (interim conference call)
- Issue report to LHATF (Early September)
  - Valuation Tables
  - Draft Model Rule
- Present report (late September in DC)

