

PROJECT HISTORY - 2004

DETERMINING RESERVE LIABILITIES FOR CREDIT LIFE INSURANCE MODEL REGULATION (#818)

1. Description of the project, Issues Addressed, etc.

The "Purpose" section of the model describes its objective:

Section 3. Purpose 3.4.25 0 Td()TjEMC P W/CID 15 BDC -10.772 -1.217 Td()TjEMC P W/CID 16 BDC -0.005 Tc 0.115 w T(T)-7.1

The enclosed report contains the recommendation along with supporting material.

The Committee recommends that the 200X (i.e., 2001) CSO Male Composite Ultimate Table be used for the valuation of credit life policy reserves using the dynamic interest rate appropriate for the original term of insurance. For joint life coverage the Committee recommends that the reserve be set assuming 200X (i.e., 2001) CSO Male Composite Ultimate Table using twice the mortality for the age of the primary insured. Credit insurers do not normally maintain gender specific records, so certificates of both genders should be reserved on the male table.

The recommended standard is set at a level such that 23 of the 27 companies contributing data to the study, or 85%, showed aggregate mortality less than or equal to the standard. Overall, this standard provides a 27% margin over the experience from 1998 and 1999.

2. Name of Group Responsible for Drafting the Model and States Participating

The Life and Health Actuarial Task Force developed this model. The 2004 members are: South C

Ms. Philips asked Mr. Carmello if Mr. Hause's suggestions addressed his concerns. Mr. Carmello stated that he was unclear as to the exact nature of Mr. Hause's proposal. Ms. Philips responded that Mr. Hause's proposal is to "strike the portion that talks about a different reserve method for outstanding balance or MOB (monthly outstanding balance) or anything, and just say that the minimum reserve standard shall be the Commissioners Reserve Valuation Method." Mr. Carmello said, "so that would