LHATF Life Insurance Survey
4/9/09

Attached are twenty-one questions related to the life insurance reserve proposals - expand scope of preferred mortality tables and lapses, change constraints on deficiency reserves - from the Life and Health Actuarial Task Force. These proposals are similar to those life insurance reserve proposals from the American Council of Life Insurers provided in December 2008. These proposals are being considered for model changes and the following information is requested:

Life insurance proposal 1a:

This proposal would allow the 2001 CSO preferred mortality tables to be used with contracts whose current reserves are based on the 2001 CSO and issued prior to January 1, 2007 with domestic Commissioner consent.

1. Would your company expect to use the relief in this proposal? If not, why not. If it would, answer questions 2, 3, and 4.

2. Provide the first issue year that the company's policies are valued using 2001 CSO.

3. For issue years from the year stated in the response to the question above through 2006, provide the estimated reserve impact of using the 2001 preferred class structure tables instead of standard 2001 CSO, and include the following:

    a. Issue years impacted;

    b. Total Direct Reserves as of 12/31/08 currently on the 2001 CSO;

    c. Total Net Reserves as of 12/31/08 currently on the 2001 CSO;

    d. Total Direct Reserves as of 12/31/08 using 2001 CSO Preferred class structure tables;

    e. Total Net Reserves as of 12/31/08 using 2001 CSO Preferred class structure tables;

    f. The % change (b / d and c / e)

4. Provide commentary on the level of mortality rates and the level of margins in the 2001 preferred class structure tables compared to the level of mortality anticipated by the company for the business reflected in 2 above. Also, state the types of business as reflected in 2 above.

Life insurance proposal 1b:

This proposal would make section 8C of Actuarial Guideline 38 retroactive to July 1, 2005, with domestic commissioner consent.

5. Would your company expect to use the relief in this proposal? If not, why not. If it would, answer questions 6, and 7.

6. For universal life with secondary guarantee business where reserves are set using the 9-step Actuarial Guideline 38 methodology, provide the estimated impact of using lapses for policies issued 7/1/05 through 12/31/06, broken out as follows:

    a. Total Direct Reserves as of 12/31/08;

    b. Total Net Reserves as of 12/31/08;

    c. Total Direct Reserves as of 12/31/08 using lapses as provided in AG 38, Section 8C;

    d. Total Net Reserves as of 12/31/08 using lapses as provided in AG 38, Section 8C;

    e. The % change (a / c and b / d)

7. Provide commentary on lapses (by duration) experienced by the company for the business reflected in 4 above.

Life insurance proposal 1c:

This proposal would clarify by means of an Actuarial Guideline that when using the 2001 Preferred Class Structure Tables of the 2001 CSO for basic reserves, the original 2001 CSO table may be used for determining segments when complying with the Valuation of Life Insurance Policies Model Regulation.

8. Provide commentary, including the impact, if any, of the proposed clarification on establishing segments on business subject to this life insurance proposal 1c. Also, state the types of business impacted by proposal 1c.

Life insurance proposal 2:

9. Would your company expect to use the relief in this proposal? If not, why not. If it would, answer questions 10, and 11.

10. Provide the estimated reserve impact of eliminating constraints on X factors related to deficiency reserves (along with the blocks of business impacted), broken out as follows:

    a. Total Direct Deficiency Reserves as of 12/31/08;

    b. Total Net Deficiency Reserves as of 12/31/08;

    c. Total Direct Deficiency Reserves as of 12/31/08, assuming elimination of the 20% floor and no by-duration declines;

    d. Total Net Deficiency Reserves as of 12/31/08, assuming elimination of the 20% floor and no by-duration declines;

    e. The % change (a / c and b / d)

11. Provide the smallest X factor on any block of business.

General questions regarding these life insurance proposals:

If your company would expect to use the relief in any of the proposals, answer questions 12 through 21.

12. Besides term and UL with secondary guarantee, describe any other lines of your business/product types which would show reduced reserves from these proposed life insurance reserve changes stated above, and quantify the reserve impact on those lines.

13. Provide estimated statutory reserves at the "humpback" peak with and without these life insurance proposals by block of business.

14. Provide capital & surplus numbers as of 12/31/07, 12/31/08, and as of today (rough estimate), including information on any capital infusions received in 2008. Also, provide the 12/31/08 RBC ratio and estimate what the Company's RBC ratio would be at 12/31/08 with these life insurance proposals.

15. Does your company need the reserve relief offered by any of these life insurance proposals? If so, please explain.

16. Are there other relief measures that your company would deem of a higher priority than these proposals? If so, please explain.

17. How do you perceive these life insurance proposals as benefiting policyholders?

18. Does your company have a concern that without the adoption of these proposals your company might fall into an RBC regulatory action level or require a capital contribution to avoid such a level? If so, which proposal(s) would address your particular issue?

19. Does your company have a concern that without the adoption of these proposals your company might fall below an internal capital floor or require a capital contribution to avoid such an event? If so, what is the internal capital level and which proposal(s) would address your particular issue?

20. Describe any problems the company has had in 2008 related to the impact of the credit and financial crisis regarding reserves pursuant to the Valuation of Life Insurance Policies Model Regulation and Actuarial Guideline XXXVIII.

    Include in this response, where applicable, the amount of reinsurance credit backed by letters of credit, the dollar amount that the value of assets is currently lower than the reinsurance credit, and the reason(s) that the asset values fell (e.g., defaults, widening spreads).

21. State any additional commentary you wish to provide on these life insurance proposals (not limited to just life insurance reserve aspects).

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