

MILLIMAN RESEARCH REPORT

Term life insurance issues

Executive summary

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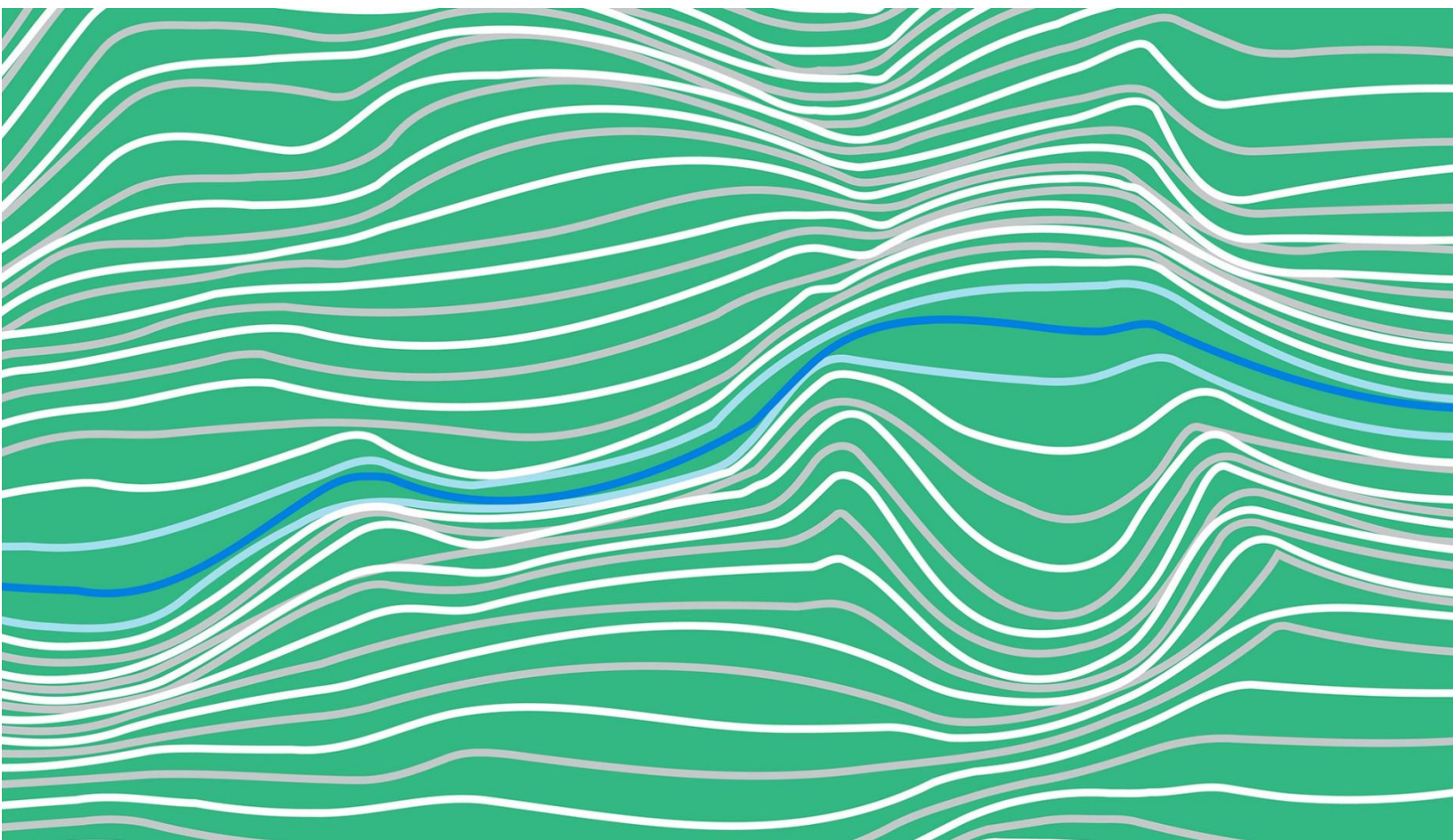




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Background

In 2017, Milliman conducted a new broad-based survey on term life insurance, capturing historical data for key industry competitors, as well as company perspectives on a range of issues pertaining to these products into the future. Nearly all U.S. life insurance companies offer these products and are impacted by regulatory changes requiring compliance in the next few years (e.g., principle-based reserves, 2017 Commissioners Standard Ordinary mortality table). Survey topics and questions were determined based on input from potential survey participants as well as Milliman consultants. This survey summary provides carriers with competitive benchmarking to evaluate where they stand relative to their peers.

The survey was sent via email to term insurance companies on July 6, 2017; 40 companies submitted responses. The companies that participated in the study were:

- Alfa Life Insurance Corp.
- Allstate Financial
- American Family Life Insurance Company
- Americo Life Inc.
- Ameriprise Financial, Inc.
- Assurity Life Insurance Company
- AXA Financial
- Bankers Life & Casualty Company
- Brighthouse Financial
- Cincinnati Life Insurance Company
- Country Financial
- Farm Bureau Life of Michigan
- Foresters
- Global Atlantic Life & Annuity
- Great-West Financial
- Guardian Life Insurance Company
- Horace Mann Insurance Companies
- John Hancock Financial Services
- Kansas City Life Insurance Company
- Knights of Columbus
- Lincoln Financial Group
- Midland National Life Insurance Company
- Modern Woodmen of America
- Mutual of Omaha Insurance Company
- National Life Group
- Nationwide Financial
- North American Co. for Life and Health Insurance
- Penn Mutual Life Insurance Company
- Principal Financial Group
- Protective Life Insurance Company
- Prudential Insurance Company of America
- Savings Bank Life Insurance Company of MA
- Securian Financial Group
- State Farm Life Insurance Company
- Symetra
- Thrivent Financial for Lutherans
- TIAA-CREF
- USAA Life Insurance Company
- Vantis Life Insurance Company
- Western & Southern Financial Group

One of the participating companies provided separate responses for its medical and nonmedical term insurance business for certain questions in the risk management and pricing sections of the survey, resulting in a total of 41 possible responses.

The questions asked of survey participants can be found in the Appendix.

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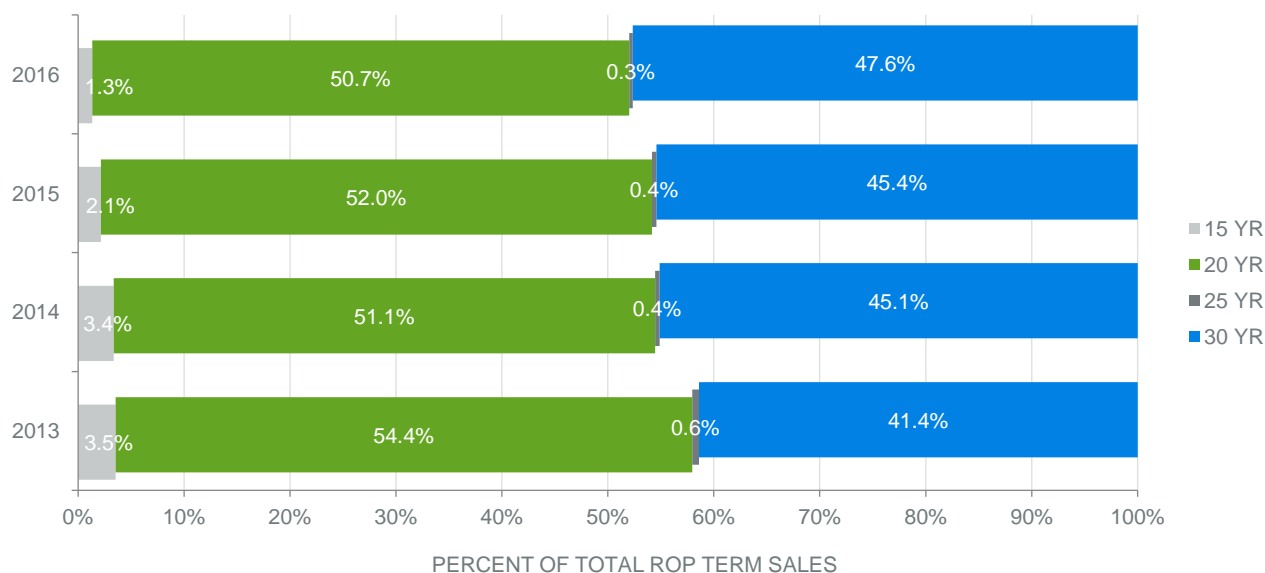
Executive Summary

TERM SALES DETAILS

Survey participants reported the sales of return of premium (ROP) term products and all other term products separately, measured by the sum of recurring premiums plus 10% of single premiums for calendar years 2013 through 2016. (We believe the amount of single premium term sales is negligible.) Milliman calculated the total amount of term sales for survey participants, but determined that this information did not add value, because the results are so close to results for all other term sales. Therefore, sales results are presented only for ROP term and all other term products separately.

Of the 40 survey participants, 13 reported ROP term sales. ROP term sales as a percentage of total term sales were 3.6% in 2013 and 2014, decreasing to 3.4% in 2015, and increasing to 3.9% in 2016. ROP term sales were reported for 15-, 20-, 25-, and 30-year level premium term periods, with the majority of sales in the 20-year and 30-year terms. The graph in Figure 1 illustrates the ROP mix by level premium term period as reported by survey participants from 2013 through 2016. The market share for the 20-year term fluctuated between decreases and increases over the survey period, ending with a lower market share compared to the beginning of the period. The market share for the 30-year term increased year over year for the survey period.

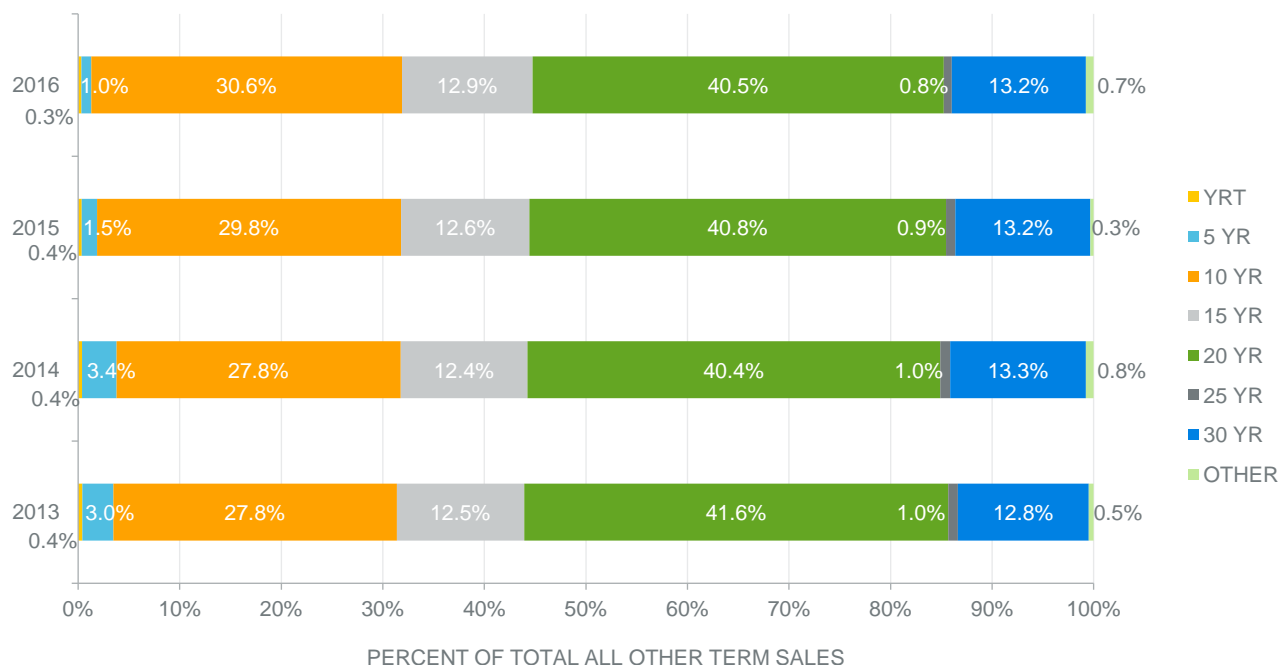
FIGURE 1: LEVEL PREMIUM TERM PERIOD MIX BY YEAR, ROP TERM¹



The weighted average premium per policy for all ROP level premium term periods combined equaled \$1,300 for calendar year 2013, \$1,348 for 2014, \$1,364 for 2015, and \$1,369 for 2016. The weighted average face amount per policy for all ROP level premium term periods combined equaled \$287,989 for calendar year 2013, \$281,409 for 2014, \$280,677 for 2015, and \$272,274 for 2016.

All 40 survey participants reported "all other term" sales, which exclude ROP term. All other term sales as a percentage of total term sales were 96.4% in 2013 and 2014, slightly increasing to 96.6% in 2015, and slightly decreasing to 96.1% in 2016. All other term sales were reported for yearly renewable term (YRT), 5-, 10-, 15-, 20-, 25-, and 30-year level premium term periods (LPTs), as well as some sales in other level premium term periods. The graph in Figure 2 illustrates all the other term mix by LPTP as reported by survey participants from 2013 through 2016. The market share by LPTP was fairly stable for all other term products over the survey period, with the 20-year LPTP at about 40% to 41%, followed by the 10-year at 28% to 31%, the 30-year at about 13%, and the 15-year around 12% to 13%. The market share over the survey period primarily shifted from the 5-year term (-2.1%) to the 10-year term (+2.8%).

¹ Figure 1 will be shown again as Figure 8 in the body of the report.

FIGURE 2: LEVEL PREMIUM TERM PERIOD MIX BY YEAR, ALL OTHER TERM²

The weighted average premium per policy for all other term products with level premium term periods combined equaled \$984 for calendar year 2013, \$998 for 2014, \$1,047 for 2015, and \$1,070 for 2016. The weighted average face amount per policy for all other term with level premium term periods combined equaled \$428,781 for calendar year 2013, \$435,470 for 2014, \$469,081 for 2015, and \$471,913 for 2016.

In 2016, the multiple-line exclusive-agent (MLEA), brokerage, and personal producing general agent (PPGA) channels were the most popular channels through which ROP term products were sold, based on both annualized premiums and face amount issued. ROP term sales in 2016 were also reported in the agency-building and bank channels. The brokerage, MLEA, and agency-building channels were the most popular channels in 2016 through which all other term products were sold, based on both annualized premium and face amount issued. All other term sales were also reported by survey participants in the PPGA, wirehouse, direct, and bank channels, with a few sales in other channels as well.

The distribution of term sales by gender indicates that 2016 ROP term sales had a much greater concentration of sales to females than all other term sales. This is true both when sales are measured by premium and when sales are measured by face amount. The distribution for ROP term in 2016 was 59% males and 41% females on a premium basis. On a face amount basis, the distribution was 55% males and 45% females. For all other term sales, the distribution for 2016 by gender when sales are measured by premium was 74% males and 26% females. On a face amount basis, the distribution was 68% males and 32% females.

A weighted average issue age was determined for 2016 term sales of survey participants based on the midpoint of specified issue age ranges, separately for males and females, and separately by sales based on premium and sales based on face amount. The average issue age for ROP term products is significantly less than the average issue age for all other term products. It is 12 years younger for males and eight years younger for females when sales are measured by annualized premiums. When sales are measured by face amount, ROP term average issue ages are seven years younger than all other term for males, and five years younger for females. The table in Figure 3 shows a summary of the average issue ages calculated based on sales reported by issue age range for calendar year 2016.

² Figure 2 will be shown again as Figure 21 in the body of the report.

FIGURE 3: WEIGHTED AVERAGE ISSUE AGES³

GENDER	TOTAL TERM	ROP TERM	ALL OTHER TERM
2016 SALES (PREMIUM)			
MALES	50	39	51
FEMALES	46	38	46
TOTAL	49	39	49
2016 SALES (FACE AMOUNT)			
MALES	43	36	43
FEMALES	40	35	40
TOTAL	42	35	42

ROP term sales and all other term sales were reported by underwriting approach and underwriting class. Underwriting approaches were defined as follows:

- Simplified issue underwriting: Less than a complete set of medical history questions and no medical or paramedical exam.
- Accelerated underwriting: The use of tools such as predictive models to waive requirements such as fluids and a paramedical exam on a fully underwritten product for qualifying applicants without charging a higher premium.
- Fully underwritten: Complete set of medical history questions and medical or paramedical exam, except where age and amount limits allow for nonmedical underwriting.

The distribution of 2016 ROP term sales by underwriting approach was 16.5% simplified issue, 8.4% accelerated underwriting, and 75.1% fully underwritten. For all other term sales, the distribution of 2016 sales by underwriting approach was 3.8% simplified issue, 4.0% accelerated underwriting, and 92.1% fully underwritten.

Further details about term sales, including sales broken down by level premium term period, may be found in the report.

PROFIT MEASURES

The predominant profit measure reported by survey participants relative to the pricing of new term sales issued today is an after-tax, after-capital statutory return on investment/internal rate of return (ROI/IRR). The average ROI/IRR reported is 8.9% for ROP term products, and 9.9% for all other term products. Profit margin is also a popular profit metric used by survey participants for term insurance. The average profit margin is 6.7% for ROP term and 4.5% for all other term products.

Survey participants reported their actual results relative to profit goals for 2016. For ROP term, 64% were close to or meeting their profit goals and 36% were short of their profit goals. For all other term products, 23% of the participants were exceeding, 46% were meeting or close, and 31% were short of their profit goals. *The primary reasons reported for not meeting profit goals in 2016 were low interest earnings and expenses.*

TARGET SURPLUS

The majority of survey participants set target surplus pricing assumptions as a percentage of the National Association of Insurance Commissioners (NAIC) company action level. The overall NAIC risk-based capital (RBC) percentage of company action level for ROP term ranged from 250% to 350%. A slightly wider range of overall NAIC RBC was reported for all other term, 200% to 400%. The report includes details about the overall NAIC RBC percentage, broken down by component, and is shown by term product type.

³ Figure 3 includes information shown in Figure 45 in the body of the report.

RESERVES

Survey participants were asked when they anticipate their company would implement principle-based reserves (PBR). *The majority of participants (20) plan to implement PBR spread over the three-year phase-in period allowed.* Factors impacting the rationale for participants' implementation plans include resource issues, clarity regarding tax reserves, time needed, financial impact/cost/benefits, competitive reasons, awaiting the adoption of PBR by New York, and the advantages of continuing to use Actuarial Guideline 48.

Twenty-eight of the 40 survey participants reported the number of mortality segments being considered in light of Valuation Model (VM)-20 requirements. The number of segments ranged from one to 120, with an average of 12 and median of five. The most common mortality segments reported by survey participants included only term products, followed by segments including term products combined with universal life (UL) products.

Thirty participants provided a rating of how effective they believe PBR will be in making reserve financing arrangements (captives) obsolete. Ratings are shown in the table in Figure 4. *More participants believe PBR will be effective rather than ineffective at making reserve financing arrangements obsolete.* Note that this question was part of this term survey, and the responses may not be relevant to other products.

FIGURE 4: EFFECTIVENESS RATINGS OF PBR MAKING RESERVE FINANCING ARRANGEMENTS OBSOLETE⁴

RATING	# OF RESPONSES
VERY INEFFECTIVE	NONE
INEFFECTIVE	5
AVERAGE	12
EFFECTIVE	14
VERY EFFECTIVE	NONE

Fourteen survey participants reported that they would implement the 2017 CSO Mortality Table spread over the three-year phase-in period allowed. Twelve participants intended to implement the 2017 CSO in 2017. The remaining participants noted that implementation would be product-dependent. Participants were also asked when they plan to move to the 2017 CSO relative to the timing of their implementations of PBR. Eleven of the 40 participants will implement the 2017 CSO and PBR at the same time. Eighteen additional participants will implement the 2017 CSO and then PBR at a later date. The order of the 2017 CSO and PBR implementation is product-dependent for 10 participants. The final participant reported that it is initially planning on taking the small company exemption.

RISK MANAGEMENT

In planning for new term products under VM-20, 17 participants anticipate changes to their reinsurance structures in light of PBR. The most common change reported was movement from coinsurance to yearly renewable term (YRT) reinsurance.

Retention limits ranged from \$250,000 to \$30 million for survey participants, with a median limit of nearly \$1.9 million and an average of about \$4.5 million.

UNDERWRITING

Of the 39 responses, simplified issue underwriting is being used by 18 participants, accelerated underwriting by 17 participants, and full underwriting by 38 participants. The ages and face amounts where these underwriting approaches are used vary widely among survey participants.

Eighteen participants reported using fluid-less underwriting programs at face amounts where they would normally require fluids.

The use of predictive modeling in the life insurance industry has recently gained attention. Predictive analytics utilizes statistical models that relate outcomes and events to various risk factors and predictors. Twelve survey participants use predictive analytics in their accelerated underwriting algorithms. Only one participant reported using predictive analytics in underwriting of term products under other underwriting approaches (i.e., other than accelerated underwriting).

⁴ Figure 4 will be shown again as Figure 81 in the body of the report.

Scoring models are an example of predictive modeling used relative to life underwriting. *Scoring models are being used by 18 survey participants to underwrite their term policies. Nine of the 18 use purely external scoring models and five additional participants use purely internal scoring models. The remaining four participants reported they use both internal and external scoring models. Eleven of the 18 participants reported using scoring models with automated rules. In total, six participants use lab scoring models, 10 use credit scoring models, 11 use scoring models relative to motor vehicle records (MVRs), and 14 use prescription history scoring models.*

Seventeen of the 18 survey participants that use simplified issue (SI) underwritten term products also reported the markets where SI products are offered. The low-/middle-income market was the top market among survey participants where SI term products are offered, followed closely by the individual middle-/upper-income market. The most popular channels where SI term products are offered are the MLEA and brokerage channels, closely followed by the agency-building channel. The most common underwriting tools used in this market are MIB Group reports and prescription drug database searches.

Similarly, 15 of the 17 survey participants that use accelerated underwriting (AU) also reported the markets where AU products are offered. The individual middle-/upper-income market was the top market among survey participants where AU term products are offered, followed closely by the low-/middle-income market. The most popular channel where AU term products are offered is the brokerage channel. It is more common for AU term products to be offered in multiple channels than SI term. Sixty-three percent of participants that offer AU term offer it via multiple distribution channels and only 44% of participants that offer SI term offer it via multiple channels. The most common underwriting tools used in the AU market are MIB Group reports, motor vehicle records, and prescription drug database searches.

The majority of survey participants (30 of 40 responding) have created at least one preferred risk parameter that differs at the older ages relative to those used at the younger ages.

Knock-out underwriting is the methodology used by 27 of the 39 responding participants for preferred term products. Debit/credit underwriting is used by 10 additional participants. The final two participants use both knock-out underwriting and debit/credit underwriting.

PRODUCT DESIGN

The three most popular riders that are available on term policies offered by survey participants are waiver of premium for disability rider, child rider, and accelerated death benefit rider due to terminal illness. Accelerated death benefit riders due to terminal illness were the most common term rider to be automatically included with the base term policy. Twenty-one of 27 participants automatically include this rider with the base term policy. Election rates of those riders that are not automatically included were also reported for 2016. The average election rate ranged from 1.6% for a spouse rider (based on eight responses) to 79.3% for an accelerated death benefit rider due to chronic illness (based on five responses).

COMPENSATION

Compensation structures are quite varied among survey participants. The report includes fairly granular information about first-year compensation, renewal compensation, marketing allowables, and production bonuses separately for ROP term and all other term, as well as by level premium term period.

Of the 13 participants reporting ROP term sales, six reported that the policy fee is included in the calculation for agent compensation. For other term products, 17 participants out of 38 responding reported that the policy fee is included in the calculation for agent compensation for at least for some of their term products.

PRICING

Figure 5 shows the split between respondents assuming a new money investment income strategy approach versus a portfolio approach in pricing term products. The report includes details about net earned rates assumed in pricing term products by level premium term period and by investment income strategy.

FIGURE 5: TERM INSURANCE INVESTMENT INCOME STRATEGIES⁵

LEVEL PREMIUM TERM PERIOD	% ASSUMING INVESTMENT INCOME STRATEGY IN PRICING	
	PORTFOLIO	NEW MONEY
YRT	70%	30%
5 YEAR	100%	0%
10 YEAR	56%	44%
15 YEAR	48%	52%
20 YEAR	58%	42%
25 YEAR	50%	50%
30 YEAR	54%	46%

Twelve of the 40 participants reported that their mortality assumptions are strictly based on company experience. Six participants base their mortality assumptions on company experience and consultants' recommendations, and four additional participants base them on company experience and input from reinsurers. Thirteen participants base their mortality assumptions on company experience and industry mortality tables. All other participants use various combinations of company experience, industry tables, consultants' recommendations, and underwriting criteria. Seventeen survey participants reported that the slopes of their term pricing mortality assumptions are more similar to the 2015 Valuation Basic Table (VBT) than other mortality tables (e.g., 1975-1980 Select & Ultimate Table, 2001 VBT, 2008 VBT). Another 10 reported they are more similar to the 2008 VBT, six as more similar to the 2001 VBT, and seven as more similar to the 1975-1980 Select & Ultimate Table.

The overall level of mortality experienced on term insurance relative to that assumed in pricing was reported by survey participants. Figure 6 shows the aggregate mortality levels that were reported for calendar years 2014, 2015, and 2016. *The percentage of participants that reported mortality rates were close to or lower than those assumed in pricing was 79% in 2014, 88% in 2015, and 79% in 2016.* The report also includes the overall level of mortality during the level premium term period and separately after the level premium term period.

FIGURE 6: OVERALL LEVEL OF MORTALITY, AGGREGATE⁶

MORTALITY RATES WERE:	NUMBER OF PARTICIPANTS		
	AGGREGATE		
	2014	2015	2016
CLOSE TO EXPECTED	16	16	14
LOWER THAN EXPECTED	10	13	12
GREATER THAN EXPECTED	7	4	7

The overall level of lapses experienced on term insurance relative to that assumed in pricing was reported by survey participants. Aggregate lapse rates were reported for calendar years 2014, 2015, and 2016. *Actual lapse experience on an aggregate basis was close to or lower than that assumed in pricing for 91% of participants in 2014, 90% in 2015, and 92% in 2016.* The report also includes the overall level of lapses during the level premium term period and separately after the level premium term period.

⁵ Figure 5 includes information shown in Figure 117 in the body of the report.

⁶ Figure 6 includes information shown in Figure 122 in the body of the report.

The most common conversion privilege offered on YRT and 5-year term products allows conversion until the earlier of a specified attained age and a specified number of years. For all other level premium term periods, the most common conversion privilege offered allows conversion until the earlier of a specified attained age and the end of the level premium term period. For the majority of participants, the overall level of conversion rates for the period from 2014 to 2016 was close to that assumed in pricing for all level premium term periods. *The percentage of participants that reported conversion rates close to those assumed in pricing ranged from 61% for the 30-year term, up to 68% for the 10- and 20-year terms.* With the exception of YRT, and the 5- and 25-year term periods where few responses were received, about two-thirds of the remaining responses indicated that conversion rates were greater than those assumed in pricing.

Actual expense levels and those assumed in pricing term products vary widely among survey participants, with details provided in the report. For comparison purposes, we converted acquisition and maintenance expenses to a dollar amount for a representative sample term policy for each participant. The calculation was done for both pricing expenses and actual (fully allocated) expenses, excluding premium taxes. We assumed a 20-year level premium term policy with an average face amount of \$500,000 issued at age 40, and premiums of \$2.25 (high premium) and \$1.80 (low premium) per \$1,000 of face amount. The tables in Figure 7 show statistics relative to dollars of pricing and actual expenses for the representative sample policy.

FIGURE 7: PRICING AND ACTUAL EXPENSES FOR A REPRESENTATIVE SAMPLE TERM POLICY⁷

PRICING EXPENSES	NUMBER OF RESPONSES	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
HIGH PREMIUM – PRICING					
ACQUISITION	38	\$820	\$731	\$175	\$1,960
MAINTENANCE (EXCLUDING PREMIUM TAX)	38	\$55	\$40	\$9	\$158
LOW PREMIUM – PRICING					
ACQUISITION	38	\$770	\$677	\$175	\$1,960
MAINTENANCE (EXCLUDING PREMIUM TAX)	38	\$53	\$40	\$9	\$158

ACTUAL (FULLY ALLOCATED) EXPENSES	NUMBER OF RESPONSES	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
HIGH PREMIUM – ACTUAL					
ACQUISITION	23	\$1,155	\$999	\$609	\$2,220
MAINTENANCE (EXCLUDING PREMIUM TAX)	23	\$87	\$71	\$17	\$193
LOW PREMIUM – ACTUAL					
ACQUISITION	23	\$1,072	\$900	\$596	\$2,126
MAINTENANCE (EXCLUDING PREMIUM TAX)	23	\$84	\$68	\$17	\$172

⁷ Figure 7 will be shown again as Figure 131 in the body of the report.

Appendix: The survey

MILLIMAN, INC. 2017 TERM INSURANCE SURVEY

DEFINITIONS

This survey covers individual U.S. individual term life insurance plans.

Note: worksite products are NOT included in this survey.

Throughout the survey the following terms are used and these definitions apply:

DISTRIBUTION CHANNELS

AFFILIATED AGENT	An agent under contract with one company who primarily sells that company's products.
AGENCY-BUILDING	Affiliated agent who sells and services life, health, annuities, group insurance, and equity products.
MULTIPLE-LINE EXCLUSIVE-AGENT (MLEA)	Affiliated agent licensed to sell and service property-casualty products, in addition to individual life, health, and annuity products.
BROKERAGE	A producer who doesn't have an exclusive contract with one company, has minimal or no production requirements to retain their contract, and receives no overriding commissions on personally produced business.
PERSONAL-PRODUCING GENERAL-AGENT (PPGA)	Full-time life insurance producer who receives an overriding commission on business personally produced, and on business sold by sub-producers.
WIREHOUSE	Largest full-service broker-dealers with an extensive national branch network system.
DIRECT	Includes direct response and internet direct.
BANKS	Includes banks, savings and loans credit unions, thrifts, etc.
OTHER	Any other channel not defined above (with the exception of the worksite channel).

SALES

Unless noted otherwise, sales refers to annualized premiums. If sales for a particular cell are negative, please report them as zero. To avoid sales by face amount without a corresponding entry for sales by annualized premium, please report annualized premiums to 2-3 decimal places.

UNDERWRITING APPROACHES

SIMPLIFIED ISSUE UNDERWRITING	Less than a complete set of medical history questions and no medical or paramedical exam.
ACCELERATED UNDERWRITING	The use of tools such as a predictive model to waive requirements such as fluids and a paramedical exam on a fully underwritten product for qualifying applicants without charging a higher premium.
FULLY UNDERWRITTEN	Complete set of medical history questions, and medical or paramedical exam, except where age and amount limits allow for non-medical underwriting.

TERM SALES DETAILS

This survey covers individual U.S. individual term life insurance plans.

Note: worksite products are NOT included in this survey.

Unless noted otherwise, sales refers to annualized premiums. If sales for a particular cell are negative, please report them as zero. To avoid sales by face amount without a corresponding entry for sales by annualized premium, please report annualized premiums to 2-3 decimal places.

A. Please provide historical sales of Return of Premium (ROP) term products broken down by level premium term period.

ROP TERM – ANNUALIZED PREMIUM (\$ MILLIONS)									
CALENDAR YEAR	SUM (A) THROUGH (H) TOTAL ROP TERM SALES	(A) YRT	(B) 5 YEAR	(C) 10 YEAR	(D) 15 YEAR	(E) 20 YEAR	(F) 25 YEAR	(G) 30 YEAR	(H) OTHER
2013									
2014									
2015									
2016									

ROP TERM – FACE AMOUNT (\$ MILLIONS)									
CALENDAR YEAR	SUM (A) THROUGH (H) TOTAL ROP TERM SALES	(A) YRT	(B) 5 YEAR	(C) 10 YEAR	(D) 15 YEAR	(E) 20 YEAR	(F) 25 YEAR	(G) 30 YEAR	(H) OTHER
2013									
2014									
2015									
2016									

ROP TERM – POLICY COUNT									
CALENDAR YEAR	SUM (A) THROUGH (H) TOTAL ROP TERM SALES	(A) YRT	(B) 5 YEAR	(C) 10 YEAR	(D) 15 YEAR	(E) 20 YEAR	(F) 25 YEAR	(G) 30 YEAR	(H) OTHER
2013									
2014									
2015									
2016									

B. Please provide historical sales of All Other term products (excluding ROP) broken down by level premium term period.

ALL OTHER TERM – ANNUALIZED PREMIUM (\$ MILLIONS)									
CALENDAR YEAR	SUM (A) THROUGH (H) TOTAL ROP TERM SALES	(A) YRT	(B) 5 YEAR	(C) 10 YEAR	(D) 15 YEAR	(E) 20 YEAR	(F) 25 YEAR	(G) 30 YEAR	(H) OTHER
2013									
2014									
2015									
2016									

ALL OTHER TERM – FACE AMOUNT (\$ MILLIONS)									
CALENDAR YEAR	SUM (A) THROUGH (H) TOTAL ROP TERM SALES	(A) YRT	(B) 5 YEAR	(C) 10 YEAR	(D) 15 YEAR	(E) 20 YEAR	(F) 25 YEAR	(G) 30 YEAR	(H) OTHER
2013									
2014									
2015									
2016									

ALL OTHER TERM – POLICY COUNT									
CALENDAR YEAR	SUM (A) THROUGH (H) TOTAL ROP TERM SALES	(A) YRT	(B) 5 YEAR	(C) 10 YEAR	(D) 15 YEAR	(E) 20 YEAR	(F) 25 YEAR	(G) 30 YEAR	(H) OTHER
2013									
2014									
2015									
2016									

C. Please provide 2016 term sales by distribution channel.

Distribution channel definitions may be found in the Definitions tab.

Note: Worksite products are NOT included in this survey.

DISTRIBUTION CHANNEL	2016 TOTAL ROP TERM SALES		2016 TOTAL ALL OTHER TERM SALES (EXCLUDING ROP TERM)	
	ANNUALIZED PREMIUM (\$ MILLIONS)	FACE AMOUNT (\$ MILLIONS)	ANNUALIZED PREMIUM (\$ MILLIONS)	FACE AMOUNT (\$ MILLIONS)
AGENCY-BUILDING				
MULTIPLE-LINE EXCLUSIVE- AGENT (MLEA)				
BROKERAGE				
PERSONAL-PRODUCING GENERAL AGENT (PPGA)				
WIREHOUSE				
DIRECT				
BANKS				
OTHER				
PLEASE DESCRIBE THE OTHER DISTRIBUTION CHANNEL(S):				
TOTALS (SHOULD AGREE WITH QUESTIONS A AND B)				

D. Please provide 2016 term sales by issue age group and gender.

GENDER	ISSUE AGE GROUP	2016 TOTAL ROP TERM SALES		2016 TOTAL ALL OTHER TERM SALES (EXCLUDING ROP TERM)	
		ANNUALIZED PREMIUM (\$ MILLIONS)	FACE AMOUNT (\$ MILLIONS)	ANNUALIZED PREMIUM (\$ MILLIONS)	FACE AMOUNT (\$ MILLIONS)
MALES	<25				
	25-34				
	35-44				
	45-54				
	55-64				
	65-74				
	75+				
FEMALES	< 25				
	25-34				
	35-44				
	45-54				
	55-64				
	65-74				
	75+				
TOTALS (SHOULD AGREE WITH QUESTIONS A AND B)					

- E. Please provide 2016 sales of ROP term products, broken down by underwriting class and underwriting approach.
 Under writing approach definitions may be found in the Definitions tab.

SIMPLIFIED ISSUE UNDERWRITING 2016 ROP TERM BUSINESS – ANNUALIZED PREMIUM (\$ MILLIONS)									
UNDERWRITING CLASS	SUM (A) THROUGH (H) TOTAL ROP TERM SALES	(A) YRT	(B) 5 YEAR	(C) 10 YEAR	(D) 15 YEAR	(E) 20 YEAR	(F) 25 YEAR	(G) 30 YEAR	(H) OTHER
BEST NS/NT CLASS									
2 ND BEST NS/NT CLASS									
3 RD BEST NS/NT CLASS									
4 TH BEST NS/NT CLASS									
5 TH BEST NS/NT CLASS AND LOWER									
BEST S/T CLASS									
2 ND BEST S/T CLASS									
3 RD BEST S/T CLASS AND LOWER									
TOTAL									

SIMPLIFIED ISSUE UNDERWRITING 2016 ROP TERM BUSINESS – FACE AMOUNT (\$ MILLIONS)									
UNDERWRITING CLASS	SUM (A) THROUGH (H) TOTAL ROP TERM SALES	(A) YRT	(B) 5 YEAR	(C) 10 YEAR	(D) 15 YEAR	(E) 20 YEAR	(F) 25 YEAR	(G) 30 YEAR	(H) OTHER
BEST NS/NT CLASS									
2 ND BEST NS/NT CLASS									
3 RD BEST NS/NT CLASS									
4 TH BEST NS/NT CLASS									
5 TH BEST NS/NT CLASS AND LOWER									

SIMPLIFIED ISSUE UNDERWRITING**2016 ROP TERM BUSINESS – FACE AMOUNT (\$ MILLIONS)**

UNDERWRITING CLASS	SUM (A) THROUGH (H) TOTAL ROP TERM SALES	(A) YRT	(B) 5 YEAR	(C) 10 YEAR	(D) 15 YEAR	(E) 20 YEAR	(F) 25 YEAR	(G) 30 YEAR	(H) OTHER
BEST S/T CLASS									
2 ND BEST S/T CLASS									
3 RD BEST S/T CLASS AND LOWER									
TOTAL									

ACCELERATED UNDERWRITING**2016 ROP TERM BUSINESS – ANNUALIZED PREMIUM (\$ MILLIONS)**

UNDERWRITING CLASS	SUM (A) THROUGH (H) TOTAL ROP TERM SALES	(A) YRT	(B) 5 YEAR	(C) 10 YEAR	(D) 15 YEAR	(E) 20 YEAR	(F) 25 YEAR	(G) 30 YEAR	(H) OTHER
BEST NS/NT CLASS									
2 ND BEST NS/NT CLASS									
3 RD BEST NS/NT CLASS									
4 TH BEST NS/NT CLASS									
5 TH BEST NS/NT CLASS AND LOWER									
BEST S/T CLASS									
2 ND BEST S/T CLASS									
3 RD BEST S/T CLASS AND LOWER									
TOTAL									

ACCELERATED UNDERWRITING
2016 ROP TERM BUSINESS – FACE AMOUNT (\$ MILLIONS)

UNDERWRITING CLASS	SUM (A) THROUGH (H) TOTAL ROP TERM SALES	(A) YRT	(B) 5 YEAR	(C) 10 YEAR	(D) 15 YEAR	(E) 20 YEAR	(F) 25 YEAR	(G) 30 YEAR	(H) OTHER
BEST NS/NT CLASS									
2 ND BEST NS/NT CLASS									
3 RD BEST NS/NT CLASS									
4 TH BEST NS/NT CLASS									
5 TH BEST NS/NT CLASS AND LOWER									
BEST S/T CLASS									
2 ND BEST S/T CLASS									
3 RD BEST S/T CLASS AND LOWER									
TOTAL									

FULL UNDERWRITING
2016 ROP TERM BUSINESS – ANNUALIZED PREMIUM (\$ MILLIONS)

UNDERWRITING CLASS	SUM (A) THROUGH (H) TOTAL ROP TERM SALES	(A) YRT	(B) 5 YEAR	(C) 10 YEAR	(D) 15 YEAR	(E) 20 YEAR	(F) 25 YEAR	(G) 30 YEAR	(H) OTHER
BEST NS/NT CLASS									
2 ND BEST NS/NT CLASS									
3 RD BEST NS/NT CLASS									
4 TH BEST NS/NT CLASS									
5 TH BEST NS/NT CLASS AND LOWER									
BEST S/T CLASS									
2 ND BEST S/T CLASS									

FULL UNDERWRITING**2016 ROP TERM BUSINESS – ANNUALIZED PREMIUM (\$ MILLIONS)**

UNDERWRITING CLASS	SUM (A) THROUGH (H) TOTAL ROP TERM SALES	(A) YRT	(B) 5 YEAR	(C) 10 YEAR	(D) 15 YEAR	(E) 20 YEAR	(F) 25 YEAR	(G) 30 YEAR	(H) OTHER
3 RD BEST S/T CLASS AND LOWER									
TOTAL									

FULL UNDERWRITING**2016 ROP TERM BUSINESS – FACE AMOUNT (\$ MILLIONS)**

UNDERWRITING CLASS	SUM (A) THROUGH (H) TOTAL ROP TERM SALES	(A) YRT	(B) 5 YEAR	(C) 10 YEAR	(D) 15 YEAR	(E) 20 YEAR	(F) 25 YEAR	(G) 30 YEAR	(H) OTHER
BEST NS/NT CLASS									
2 ND BEST NS/NT CLASS									
3 RD BEST NS/NT CLASS									
4 TH BEST NS/NT CLASS									
5 TH BEST NS/NT CLASS AND LOWER									
BEST S/T CLASS									
2 ND BEST S/T CLASS									
3 RD BEST S/T CLASS AND LOWER									
TOTAL									

- F. Please provide 2016 sales of All Other term products (excluding ROP), broken down by underwriting class and underwriting approach.

Under writing approach definitions may be found in the Definitions tab.

SIMPLIFIED ISSUE UNDERWRITING 2016 ALL OTHER TERM BUSINESS – ANNUALIZED PREMIUM (\$ MILLIONS)									
UNDERWRITING CLASS	SUM (A) THROUGH (H) TOTAL ROP TERM SALES	(A) YRT	(B) 5 YEAR	(C) 10 YEAR	(D) 15 YEAR	(E) 20 YEAR	(F) 25 YEAR	(G) 30 YEAR	(H) OTHER
BEST NS/NT CLASS									
2 ND BEST NS/NT CLASS									
3 RD BEST NS/NT CLASS									
4 TH BEST NS/NT CLASS									
5 TH BEST NS/NT CLASS AND LOWER									
BEST S/T CLASS									
2 ND BEST S/T CLASS									
3 RD BEST S/T CLASS AND LOWER									
TOTAL									

SIMPLIFIED ISSUE UNDERWRITING 2016 ALL OTHER TERM BUSINESS – FACE AMOUNT (\$ MILLIONS)									
UNDERWRITING CLASS	SUM (A) THROUGH (H) TOTAL ROP TERM SALES	(A) YRT	(B) 5 YEAR	(C) 10 YEAR	(D) 15 YEAR	(E) 20 YEAR	(F) 25 YEAR	(G) 30 YEAR	(H) OTHER
BEST NS/NT CLASS									
2 ND BEST NS/NT CLASS									
3 RD BEST NS/NT CLASS									
4 TH BEST NS/NT CLASS									
5 TH BEST NS/NT CLASS AND LOWER									

SIMPLIFIED ISSUE UNDERWRITING
2016 ALL OTHER TERM BUSINESS – FACE AMOUNT (\$ MILLIONS)

UNDERWRITING CLASS	SUM (A) THROUGH (H) TOTAL ROP TERM SALES	(A) YRT	(B) 5 YEAR	(C) 10 YEAR	(D) 15 YEAR	(E) 20 YEAR	(F) 25 YEAR	(G) 30 YEAR	(H) OTHER
BEST S/T CLASS									
2 ND BEST S/T CLASS									
3 RD BEST S/T CLASS AND LOWER									
TOTAL									

ACCELERATED UNDERWRITING
2016 ALL OTHER TERM BUSINESS – ANNUALIZED PREMIUM (\$ MILLIONS)

UNDERWRITING CLASS	SUM (A) THROUGH (H) TOTAL ROP TERM SALES	(A) YRT	(B) 5 YEAR	(C) 10 YEAR	(D) 15 YEAR	(E) 20 YEAR	(F) 25 YEAR	(G) 30 YEAR	(H) OTHER
BEST NS/NT CLASS									
2 ND BEST NS/NT CLASS									
3 RD BEST NS/NT CLASS									
4 TH BEST NS/NT CLASS									
5 TH BEST NS/NT CLASS AND LOWER									
BEST S/T CLASS									
2 ND BEST S/T CLASS									
3 RD BEST S/T CLASS AND LOWER									
TOTAL									

ACCELERATED UNDERWRITING
2016 ALL OTHER TERM BUSINESS – FACE AMOUNT (\$ MILLIONS)

UNDERWRITING CLASS	SUM (A) THROUGH (H) TOTAL ROP TERM SALES	(A) YRT	(B) 5 YEAR	(C) 10 YEAR	(D) 15 YEAR	(E) 20 YEAR	(F) 25 YEAR	(G) 30 YEAR	(H) OTHER
BEST NS/NT CLASS									
2 ND BEST NS/NT CLASS									
3 RD BEST NS/NT CLASS									
4 TH BEST NS/NT CLASS									
5 TH BEST NS/NT CLASS AND LOWER									
BEST S/T CLASS									
2 ND BEST S/T CLASS									
3 RD BEST S/T CLASS AND LOWER									
TOTAL									

FULL UNDERWRITING
2016 ALL OTHER TERM BUSINESS – ANNUALIZED PREMIUM (\$ MILLIONS)

UNDERWRITING CLASS	SUM (A) THROUGH (H) TOTAL ROP TERM SALES	(A) YRT	(B) 5 YEAR	(C) 10 YEAR	(D) 15 YEAR	(E) 20 YEAR	(F) 25 YEAR	(G) 30 YEAR	(H) OTHER
BEST NS/NT CLASS									
2 ND BEST NS/NT CLASS									
3 RD BEST NS/NT CLASS									
4 TH BEST NS/NT CLASS									
5 TH BEST NS/NT CLASS AND LOWER									
BEST S/T CLASS									
2 ND BEST S/T CLASS									

FULL UNDERWRITING**2016 ALL OTHER TERM BUSINESS – ANNUALIZED PREMIUM (\$ MILLIONS)**

UNDERWRITING CLASS	SUM (A) THROUGH (H) TOTAL ROP TERM SALES	(A) YRT	(B) 5 YEAR	(C) 10 YEAR	(D) 15 YEAR	(E) 20 YEAR	(F) 25 YEAR	(G) 30 YEAR	(H) OTHER
3 RD BEST S/T CLASS AND LOWER									
TOTAL									

FULL UNDERWRITING**2016 ALL OTHER TERM BUSINESS – FACE AMOUNT (\$ MILLIONS)**

UNDERWRITING CLASS	SUM (A) THROUGH (H) TOTAL ROP TERM SALES	(A) YRT	(B) 5 YEAR	(C) 10 YEAR	(D) 15 YEAR	(E) 20 YEAR	(F) 25 YEAR	(G) 30 YEAR	(H) OTHER
BEST NS/NT CLASS									
2 ND BEST NS/NT CLASS									
3 RD BEST NS/NT CLASS									
4 TH BEST NS/NT CLASS									
5 TH BEST NS/NT CLASS AND LOWER									
BEST S/T CLASS									
2 ND BEST S/T CLASS									
3 RD BEST S/T CLASS AND LOWER									
TOTAL									

PROFIT MEASURES

A. Please provide responses relevant to the pricing of new term sales issued today.

PROFIT MEASURES AND GOALS	RETURN OF PREMIUM TERM	ALL OTHER TERM
STATUTORY		
STATUTORY ROI/IRR (%)		
AFTER-TAX? (YES/NO)		
AFTER-CAPITAL? (YES/NO)		
PRIMARY OR SECONDARY MEASURE?		
STATUTORY ROA (BPS)		
AFTER-TAX? (YES/NO)		
AFTER-CAPITAL? (YES/NO)		
PRIMARY OR SECONDARY MEASURE?		
PROFIT MARGIN (% OF PREMIUM)		
AFTER-TAX? (YES/NO)		
AFTER-CAPITAL? (YES/NO)		
PRIMARY OR SECONDARY MEASURE?		
IN THE PRICING OF NEW SALES ISSUED TODAY, WHAT DISCOUNT <u>RATE</u> IS USED TO CALCULATE THE PROFIT MARGIN? (E.G., 0%, 10%)		
WHAT IS THE <u>BASIS</u> OF THE DISCOUNT RATE THAT IS USED TO CALCULATE THE PROFIT MARGIN? (E.G., THE NET INVESTMENT EARNINGS RATE)		
IS THE DISCOUNT RATE USED TO CALCULATE THE PROFIT MARGIN ON A PRE-TAX OR AFTER-TAX BASIS?		
OTHER STATUTORY MEASURE (PLEASE DESCRIBE)		
OTHER STATUTORY GOAL		
AFTER-TAX? (YES/NO)		
AFTER-CAPITAL? (YES/NO)		
PRIMARY OR SECONDARY MEASURE?		
IF APPLICABLE, IN THE PRICING OF NEW SALES ISSUED TODAY, WHAT DISCOUNT <u>RATE</u> IS USED TO CALCULATE THE OTHER STATUTORY MEASURE? (E.G., 0%, 10%)		
IF APPLICABLE, WHAT IS THE <u>BASIS</u> OF THE DISCOUNT RATE THAT IS USED TO CALCULATE THE OTHER STATUTORY MEASURE? (E.G., THE NET INVESTMENT EARNINGS RATE)		
IF APPLICABLE, IS THE DISCOUNT RATE USED TO CALCULATE THE OTHER STATUTORY PROFIT MEASURE ON A PRE-TAX OR AFTER-TAX BASIS?		

PROFIT MEASURES AND GOALS	RETURN OF PREMIUM TERM	ALL OTHER TERM
GAAP		
GAAP ROE (%)		
AFTER-TAX? (YES/NO)		
AFTER-CAPITAL? (YES/NO)		
PRIMARY OR SECONDARY MEASURE?		
HOW IS ROE MEASURED OVER THE LIFE OF THE BUSINESS? (SEE CHOICES A, B, & C BELOW)		
AVERAGE PROFITS/AVERAGE CAPITAL? (YES/NO)		
DISCOUNTED PROFITS / DISCOUNTED CAPITAL? (YES/NO)		
IF DISCOUNTED, WHAT DISCOUNT RATE IS USED?		
OTHER WAY OF MEASURING ROE (PLEASE DESCRIBE)		
GAAP ROA (BPS)		
AFTER-TAX? (YES/NO)		
AFTER-CAPITAL? (YES/NO)		
PRIMARY OR SECONDARY MEASURE?		
OTHER GAAP MEASURE (PLEASE DESCRIBE)		
OTHER GAAP GOAL		
AFTER-TAX? (YES/NO)		
AFTER-CAPITAL (YES/NO)		
PRIMARY OR SECONDARY MEASURE?		
IF APPLICABLE, IN THE PRICING OF NEW SALES ISSUED TODAY, WHAT DISCOUNT <u>RATE</u> IS USED TO CALCULATE THE OTHER GAAP MEASURE? (E.G., 0%, 10%)		
IF APPLICABLE, WHAT IS THE <u>BASIS</u> OF THE DISCOUNT RATE THAT IS USED TO CALCULATE THE OTHER GAAP MEASURE? (E.G., THE NET INVESTMENT EARNINGS RATE)		
IF APPLICABLE, IS THE DISCOUNT RATE USED TO CALCULATE THE OTHER GAAP PROFIT MEASURE ON A PRE-TAX OR AFTER-TAX BASIS?		

- B. If your profit goals changed in the last two years, please describe the change in basis (e.g., statutory IRR to statutory profit margin) and/or the change in target (e.g., increased from 10% to 12%) and the rationale for the change.
- C. Do you measure include the post-level premium period financial projections in the profit measures for pricing and financial projections? (Yes/No)

D. Please indicate with an "X" your actual results for 2016 relative to profit goals:

ACTUAL RESULTS	RETURN OF PREMIUM TERM	ALL OTHER TERM
EXCEED PROFIT GOALS		
MEETING OR CLOSE TO PROFIT GOALS		
SHORT OF PROFIT GOALS		

E. If short of profit goals, which of the following factors were primary contributors to the shortfall?
(Please Indicate with an "X".)

SHORTFALL FACTORS	RETURN OF PREMIUM TERM	ALL OTHER TERM
INTEREST EARNINGS?		
MORTALITY?		
EXPENSES?		
OTHER? (PLEASE DESCRIBE)		

TARGET SURPLUS

A. Please provide responses relevant to the pricing of new term sales issued today.

TARGET SURPLUS BASIS	RETURN OF PREMIUM TERM	ALL OTHER TERM
OVERALL NAIC RBC (% OF COMPANY ACTION LEVEL)		
% OF NET AMOUNT AT RISK		
% OF RESERVES		
% OF PREMIUM		
S&P (RATING CAPITAL LEVEL – AAA, AA, A, BBB)		
A.M. BEST (% BCAR)		
% MCCR		
INTERNAL FORMULA (EXPRESS AS A % OF NAIC CAL)		
OTHER (PLEASE EXPRESS AS A % OF NAIC CAL)		
DESCRIPTION OF OTHER TARGET SURPLUS BASIS:		

B. If there has been a change in target surplus in recent years, please describe the change and the rationale for the change.

RESERVES

- A. The operative date of the Valuation Manual was January 1, 2017. Indicate below (with an "X") your timing for implementing PBR:

IMPLEMENTATION DATE			
DURING CALENDAR YEAR 2017			
OVER THREE-YEAR PHASE-IN PERIOD			
TIMING VARIES AND IS PRODUCT DEPENDENT		DESCRIBE	
OTHER (PLEASE DESCRIBE)			

What is the primary rationale for the company's decision regarding the timing of implementing PBR?

- B. Has your company analyzed the Stochastic Exclusion Test for the term product(s) expected to be sold? (Yes/No)
If so, was the outcome what you expected?

Was product design or any other relevant components changed as a result of this test? (Yes/No)
If so, please describe.

- C. How do you expect the company will approach the pricing of new UL products in a PBR environment for products that require one of the VM-20 modeled reserve components?

Please comment on any difficulties presented by forecasting the deterministic reserve and/or stochastic reserve.

- D. Do you have any concerns (including tax concerns) about the Net Premium Reserve floor? (Yes/No)
If so, please explain.

- E. Have you/your company examined the **most recent** Relative Risk tool (RRtool.soa.org) with assumption tables updated August 18, 2016, or any other actuarially sound method for establishing a valuation mortality basis? (Yes/No)

- F. How many mortality segments are you considering in light of VM-20 requirements?

- G. What products are included in the mortality segment to which the term products belong?

- H. Understanding that not all cells (policy year/age/risk class combination) will have credibility, generally how credible (e.g., 30%, 50%, etc.) is the mortality segment to which the term product belongs?

- I. What options have been used to increase credibility of experience?
- J. For new term products, does your company anticipate use or anticipate using new underwriting approaches like accelerated underwriting? (Yes/No)
If so, what considerations does this introduce for credibility and the development of a mortality assumption?

What is (or will be) the company’s approach to supporting the prudent-estimate mortality assumptions for accelerated underwritten business that is (or has been) moved to VM-20 valuation?

- K. Have you modeled PBR-type reserves on existing term products? (Yes/No)
Have you developed new designs for consideration under PBR? (Yes/No)

Have you modeled AG 48 reserves on existing term products? (Yes/No)
Relative to your company’s strategy for PBR implementation, how will AG 48 play a role in these strategic decisions? Please indicate any considerations, such as delaying PBR until 2020 due to tax advantages of continuing to issue AG 48 Covered Policies.
From an industry standpoint, how effective do you think PBR will be in making reserve financing arrangements (captives) obsolete? (Please indicate with an “X.”)

VERY INEFFECTIVE	
INEFFECTIVE	
AVERAGE	
EFFECTIVE	
VERY EFFECTIVE	

Explain why you chose this effectiveness level.

- L. If you have developed any AG 48 projected reserves for your UL products:
What is the ratio of the AG 48 Actuarial Method reserve over the XXX reserve when the XXX reserve is at its peak?

Which component seems to be the main drive of the AG 48 reserve? (Please indicate with an “X.”)

NET PREMIUM RESERVE	
DETERMINISTIC RESERVE	
STOCHASTIC RESERVE	

- M. If the company has performed VM-20 **forecasts** for AG 48, please describe the findings made during that process that are relevant to new business pricing in a PBR world.

N. What do you expect the impact of PBR will be on term insurance? (Please indicate with an "X".)

PRICES WILL STAY ABOUT THE SAME	
PRICES WILL INCREASE	
PRICES WILL DECREASE	

O. Are you assuming a financing arrangement in post-PBR? (Yes/No)

P. If you have changed reserving to PBR, what is your assumption for the tax reserve?

Q. Describe any issues you have had with PBR and simplified issue term products.

R. The operative date of the 2017 CSO was January 1, 2017. Indicate below (with an "X") your timing for implementing the 2017 CSO:

IMPLEMENTATION DATE	
DURING CALENDAR YEAR 2017	
OVER THREE-YEAR PHASE-IN PERIOD	
TIMING VARIES AND IS PRODUCT DEPENDENT	=> DESCRIBE:
OTHER (PLEASE DESCRIBE)	

Do you plan to move to the 2017 CSO mortality table before implementing PBR? (Please indicate with an "X".)

2017 CSO AND PBR IMPLEMENTATION	
WE WILL IMPLEMENT THE 2017 CSO AND PBR AT THE SAME TIME	
WE WILL IMPLEMENT THE 2017 CSO AND THEN PBR AT A LATER DATE	
WE WILL IMPLEMENT PBR NAD THEN THE 2017 CSO AT A LATER DATE	
TIMING VARIES AND IS PRODUCT DEPENDENT	=> DESCRIBE:
OTHER (PLEASE DESCRIBE)	

RISK MANAGEMENT

A. Please indicate your use of the following risk management tools regarding your term insurance business:

RISK MANAGEMENT TOOL	CURRENTLY	ONE YEAR AGO
DO YOU USE EXTERNAL REINSURANCE? (YES/NO)		
IF YES, WHAT FORM OF REINSURANCE IS USED (YRT, COINSURANCE)?		
IF YES, PLEASE INDICATE WITH AN "X":		
ONSHORE REINSURANCE IS USED		
OFFSHORE REINSURANCE IS USED		
DO YOU USE INTERNAL REINSURANCE? (YES/NO)		
IF YES, PLEASE INDICATE WITH AN "X":		
ONSHORE REINSURANCE IS USED		
OFFSHORE REINSURANCE IS USED?		
IF ONSHORE INTERNAL REINSURANCE IS USED: (PLEASE INDICATE WITH AN "X".)		
ONSHORE WITH LOC OR OTHER 3 RD PARTY FUNDING IS USED		
ONSHORE WITH PARENTAL GUARANTEE ("IOWA SOLUTION") IS USED		
ARE THE CAPITAL MARKETS ACCESSED FOR SUPPORT? (YES/NO)		
IF YES, ARE PUBLIC OR PRIVATE SECURITIZATIONS ACCESSED? (PLEASE INDICATE WITH AN "X".)		
PUBLIC SECURITIZATIONS		
PRIVATE SECURITIZATIONS		

B. What implications has the recent economic environment had on your capital solutions?

C. In planning for new term products under VM-20, does your company anticipate changes to the reinsurance structure in light of PBR? (Yes/No)

D. What are your retention limits?

Do you start to reinsure at an "attachment point" below the ultimate retention level?

What is your attachment point as a percent of the full retention level? (For example, if your retention limit is \$5 million with an attachment point of \$2 million, your attachment point as a percent of the full retention level would be 40%.)

UNDERWRITING

Underwriting approach definitions may be found in the Definitions tab.

- A. Which of the following underwriting approaches is your company currently using, and at what ages and face amounts are they used? **Please provide face limits by age groupings, separated by semicolons (e.g., 0-25 \$250K; 26-45 \$100K, etc.)**

UNDERWRITING APPROACH	AGES AND FACE AMOUNTS WHERE USED		
SIMPLIFIED ISSUE			
ACCELERATED UNDERWRITING			
FULL UNDERWRITING			
OTHER (PLEASE DESCRIBE)		=> DESCRIBE:	

If applicable, when was your accelerated underwriting program implemented?

If you do not have an accelerated underwriting program, are you planning to implement one? (Yes/No)

If so, are you planning to implement it in the next 12 months? (Yes/No)

- B. Of all new term business in 2016, what percentage (based on policy count) qualified to have requirements waived under an accelerated underwriting program?

What percentage of qualified cases actually became sold cases?

What percentage of the cases that did not qualify became sold cases?

- C. Do you utilize any fluid-less underwriting programs at face amounts where you would normally require fluids? (Yes/No)

For accelerated underwritten policies, how does your company determine if an applicant is a tobacco user?

How is the risk class determined for someone who qualifies for accelerated underwriting?

- D. Do you use predictive analytics in your accelerated underwriting program? (Yes/No)

Do you allow the use of non-FCRA (Fair Credit Reporting Act) regulated data as part of the algorithm to waive requirements? (Yes/No)

Do you use predictive analytics in underwriting of term policies under any other underwriting approach (i.e., other than accelerated underwriting)? (Yes/No)

If applicable, please describe your use of predictive analytics for term insurance underwriting.

- E. If you are utilizing an accelerated underwriting model, did you partner with a reinsurer to define the parameters of the program? (Yes/No)

F. What level of reinsurance is used for your term insurance business that is: (please indicate with an "X".)

REINSURANCE	SIMPLIFIED ISSUE BUSINESS?	ACCELERATED UNDERWRITTEN BUSINESS?	FULLY UNDEWRITTEN BUSINESS?
FULLY REINSURED			
PARTIALLY REINSURED			
NOT REINSURED			

G. Do you use an internal or external scoring model to underwrite term policies? (Internal/External/Not Applicable)

WHAT TYPES OF SCORING MODELS ARE USED? (PLEASE INDICATE WITH AN "X.")	
LAB	
CREDIT	
MOTOR VEHICLE RECORDS	
PRESCRIPTION HISTORIES	
OTHER (PLEASE DESCRIBE)	

Are scoring models used with automated rules? (Yes/No)

How are scoring models being used?

H. Do you offer a Wellness program with your term products? (Yes/No)

If yes:

Please provide a brief description of the program.

What age limits apply?

What face amount limits apply?

What risk class limits apply?

What other restrictions/limits apply?

I. Please respond to the following questions regarding the underwriting of HIV positive cases for term insurance:

What is the maximum amount of coverage allowed?

What are the requirements regarding the diagnosis of HIV positive? (e.g., diagnosed 3 years prior to application for insurance; age range 20-39)

What are the exclusions for HIV positive cases?

- J. If you use simplified issue underwriting and/or accelerated underwriting:
Please indicate in which markets term products are offered.

MARKETS (PLEASE INDICATE WITH AN "X.")	SIMPLIFIED ISSUE	ACCELERATED UNDERWRITING
INDIVIDUAL MIDDLE/UPPER INCOME		
COLI/BOLI		
JUVENILE		
LOW/MIDDLE INCOME		
MORTGAGE		
OTHER, PLEASE DESCRIBE		
DESCRIPTION OF OTHER MARKET		

Please indicate through which distribution channels term products are offered.

Distribution channel definitions may be found in the Definitions tab.

DISTRIBUTION CHANNELS (PLEASE INDICATE WITH AN "X")	SIMPLIFIED ISSUE	ACCELERATED UNDERWRITING
AGENCY-BUILDING		
MULTIPLE-LINE EXCLUSIVE-AGENT (MLEA)		
BROKERAGE		
PERSONAL-PRODUCING GENERAL-AGENT (PPGA)		
WIREHOUSE		
DIRECT		
BANKS		
OTHER, PLEASE DESCRIBE		
DESCRIPTION OF OTHER DISTRIBUTION CHANNEL		

Please indicate which of the following underwriting tools or data elements are used with your term products, and the ages and face amounts where used. The use of these tools and data elements on a reflexive basis should be included.

Please provide face limits by age groupings, separated by semicolons (e.g., 0-25 \$250K; 26-45 \$100K, etc.)

UNDERWRITING TOOLS/DATA ELEMENTS	SIMPLIFIED ISSUE		ACCELERATED UNDERWRITING	
	USED? (YES/NO)	AGES AND FACE AMOUNTS WHERE USED	USED? (YES/NO)	AGES AND FACE AMOUNTS WHERE USED
ACTIVITIES OF DAILY LIVING (ADL)				
ATTENDING PHYSICIAN'S STATEMENT (APS)				
CONSUMER DATABASE				
CREDIT HISTORY				
COGNITIVE TESTING				

UNDERWRITING TOOLS/DATA ELEMENTS	SIMPLIFIED ISSUE		ACCELERATED UNDERWRITING	
	USED? (YES/NO)	AGES AND FACE AMOUNTS WHERE USED	USED? (YES/NO)	AGES AND FACE AMOUNTS WHERE USED
FACE-TO-FACE SALE				
FELONY				
FINANCIAL				
FRAUD CHECK				
LIFESTYLE				
MEDICAL INFORMATION BUREAU (MIB)				
MOTOR VEHICLE REPORT (MVR)				
ORAL FLUID				
PERSONAL HISTORY INTERVIEW				
PHYSICAL FUNCTIONAL STATUS/TESTING (E.G., GET UP AND GO TEST)				
PREDICTIVE MODELS:				
INTERNAL PREDICTIVE MODEL				
THIRD PARTY PREDICTIVE MODEL				
IF THIRD PARTY PREDICTIVE MODEL, WHICH MODEL(S)?				
PRESCRIPTION DRUG DATABASE SEARCH				
TELE-UNDERWRITING WITH DRILL-DOWN QUESTIONS				
TELE-UNDERWRITING WITHOUT DRILL-DOWN QUESTIONS				
OTHER, PLEASE DESCRIBE				
DESCRIPTION OF OTHER UNDERWRITING TOOL OR DATA ELEMENT				

APPLICATION:	SIMPLIFIED ISSUE	ACCELERATED UNDERWRITING
DO YOU ADD ANY UNDERWRITING QUESTIONS TO YOUR APPLICATION NOT FOUND IN YOUR STANDARD FULLY UNDERWRITTEN APPLICATION? (YES/NO)		
IF YES, PLEASE DESCRIBE:		

K. Do your preferred risk parameters at the older ages for the following items differ from those at the younger ages?
(Please indicate with an "X".)

1) FAMILY HISTORY		
2) CHOLESTEROL		
3) BMI		
4) BLOOD PRESSURE		
5) OTHER (PLEASE DESCRIBE)		

L. For your preferred products, which underwriting methodology is used? (Please indicate with an "X".)

KNOCK-OUT UNDERWRITING		
DEBIT/CREDIT UNDERWRITING		
OTHER (PLEASE DESCRIBE)		

PRODUCT DESIGN

A. What riders are available on your term insurance products? Is the rider automatically included with the base term policy? If not automatically included with the base term policy, what was the election rate in 2016?

RIDER	AVAILABILITY (PLEASE INDICATE WITH AN "X")	AUTOMATICALLY INCLUDED? (YES/NO)	2016 ELECTION RATE
ACCELERATED DEATH BENEFIT (ADB) RIDER DUE TO:			
LONG TERM CARE			
CHRONIC ILLNESS			
TERMINAL ILLNESS			
OTHER ADB RIDER			
DESCRIPTION OF OTHER ADB RIDERS			
ACCIDENTAL DEATH BENEFIT			
CHILD RIDER			
SPOUSE RIDER			
CRITICAL ILLNESS RIDER			
DISABILITY INCOME RIDER			
WAIVER OF PREMIUM FOR:			
DISABILITY			
UNEMPLOYMENT			
CERTAIN FORMS OF CANCER			
OTHER WAIVER OF PREMIUM RIDERS			
DESCRIPTION OF OTHER WAIVER OF PREMIUM RIDERS			
OTHER TERM INSURANCE RIDERS			
DESCRIPTION OF OTHER TERM INSURANCE RIDERS			

B. Which strategies have you used in light of the recent low interest rate environment? (indicate with an "X" all that apply)

STRATEGY	STRATEGY USED
INTENTIONALLY REDUCE/LIMIT SALES BY: INCREASING PREMIUM RATES DISCONTINUED SALES OF CERTAIN PRODUCTS	
RIDING IT OUT/DOING NOTHING	
LAUNCHING A NEW DESIGN WITH REDUCED GUARANTEES	
OTHER: PLEASE DESCRIBE	

C. Does your company allow for purchases of term products via the internet? (Yes/No)
If you responded “Yes”, please respond to the following questions:

ARE YOUR INTERNET PRODUCTS:	PLEASE INDICATE WITH AN “X.”
NON-MEDICAL?	
MEDICAL?	

WHICH OF THE FOLLOWING ITEMS ARE HANDLED VIA THE INTERNET?	PLEASE INDICATE WITH AN “X.”
EDUCATION ABOUT THE PRODUCT	
PROVIDE A QUOTE	
FILL OUT AN APPLICATION	
PAYMENT OF PREMIUM	
OTHER, PLEASE DESCRIBE	

Is an agent still involved in these sales? (Yes/No)
What have been the biggest challenges of internet sales?

D. Does your company allow for purchases of term products via other alternative distribution channels (e.g., retail chains)? (Yes/No)
If so, which alternative channels are used?

COMPENSATION

Please respond to questions A and B relative to your **non-New York** compensation.

- A. Please provide the following components of your term insurance compensation programs:
(Report total compensation across all levels of producers, excluding BGA bonuses.)

COMPENSATION COMPONENT	ROP TERM						
	YRT	5 YEAR	10 YEAR	15 YEAR	20 YEAR	25 YEAR	30 YEAR
TYPICAL FIRST YEAR COMMISSION							
TYPICAL RENEWAL COMMISSIONS							
MARKETING ALLOWABLE (INCLUDES EXPENSES FOR HOME OFFICE SUPPORT AND/OR ALLOWABLES FOR BGA SUPPORT); ADDITIVE TO COMMISSION							
DO YOU PAY A PRODUCTION BONUS ON YOUR TERM BUSINESS? (YES/NO)							
IF YES, PLEASE DESCRIBE.							

	ALL OTHER TERM						
	YRT	5 YEAR	10 YEAR	15 YEAR	20 YEAR	25 YEAR	30 YEAR
TYPICAL FIRST YEAR COMMISSION							
TYPICAL RENEWAL COMMISSIONS							
MARKETING ALLOWABLE (INCLUDES EXPENSES FOR HOME OFFICE SUPPORT AND/OR ALLOWABLES FOR BGA SUPPORT); ADDITIVE TO COMMISSION							
DO YOU PAY A PRODUCTION BONUS ON YOUR TERM BUSINESS? (YES/NO)							
IF YES, PLEASE DESCRIBE.							

B. Do you include the policy fee in the calculation for agent compensation? (Yes/No)

POLICY FEE	ROP TERM	ALL OTHER TERM
INCLUDE IN CALCULATION FOR AGENT COMPENSATION? (YES/NO)		

C. Which of the following categories are included in the Marketing Allowable figures shown in question A above?
(Please indicate with an "X.")

CATEGORIES	ROP TERM						
	YRT	5 YEAR	10 YEAR	15 YEAR	20 YEAR	25 YEAR	30 YEAR
ALLOWABLE FOR BGA SUPPORT							
REGIONAL STAFF EXPENSES							
ALL EXPENSES FOR THE MARKETING DEPARTMENT							
DIRECT PAYMENTS MADE TO DISTRIBUTORS TO SPONSOR MEETINGS OR EVENTS							
WHOLESALE AND DISTRIBUTION SUPPORT STAFF COMPENSATION							
WHOLESALE AND DISTRIBUTION SUPPORT STAFF TRAVEL AND EXPENSE BUDGETS							
RECOGNITION							
OTHER							
DESCRIPTION OF OTHER CATEGORY							

CATEGORIES	ALL OTHER TERM						
	YRT	5 YEAR	10 YEAR	15 YEAR	20 YEAR	25 YEAR	30 YEAR
ALLOWABLE FOR BGA SUPPORT							
REGIONAL STAFF EXPENSES							
ALL EXPENSES FOR THE MARKETING DEPARTMENT							
DIRECT PAYMENTS MADE TO DISTRIBUTORS TO SPONSOR MEETINGS OR EVENTS							

CATEGORIES	ALL OTHER TERM						
	YRT	5 YEAR	10 YEAR	15 YEAR	20 YEAR	25 YEAR	30 YEAR
WHOLESALE AND DISTRIBUTION SUPPORT STAFF COMPENSATION							
WHOLESALE AND DISTRIBUTION SUPPORT STAFF TRAVEL AND EXPENSE BUDGETS							
RECOGNITION							
OTHER							
DESCRIPTION OF OTHER CATEGORY							

D. Incentive compensation

CATEGORIES	WHAT IS THE AVERAGE INCENTIVE COMPENSATION FOR EXTERNAL WHOLESALERS PAYABLE AS A PERCENTAGE OF PREMIUM?						
	YRT	5 YEAR	10 YEAR	15 YEAR	20 YEAR	25 YEAR	30 YEAR
FOR ROP TERM							
FOR ALL OTHER TERM							

E. Commission chargebacks

CATEGORIES	WHAT IS THE LENGTH OF THE COMMISSION CHARGEBACK PERIOD?						
	YRT	5 YEAR	10 YEAR	15 YEAR	20 YEAR	25 YEAR	30 YEAR
FOR ROP TERM							
FOR ALL OTHER TERM							

CATEGORIES	WHAT IS THE LENGTH OF THE COMMISSION CHARGEBACK PERIOD ON FACE AMOUNT DECREASES?						
	YRT	5 YEAR	10 YEAR	15 YEAR	20 YEAR	25 YEAR	30 YEAR
FOR ROP TERM							
FOR ALL OTHER TERM							

PRICING**A. Investment income strategy assumed in pricing term products**

INTEREST RATES/INVESTMENT INCOME STRATEGY	YRT	5 YEAR	10 YEAR	15 YEAR	20 YEAR	25 YEAR	30 YEAR
DO YOU ASSUME A NEW MONEY OR PORTFOLIO INVESTMENT INCOME STRATEGY IN PRICING TERM PRODUCTS? (PLEASE INDICATE WITH AN "X.")							
NEW MONEY							
PORTFOLIO							
WHAT NET EARNED RATE IS ASSUMED (NET OF INVESTMENT EXPENSES AND DEFAULT RISK CHARGES)?							
HOW HAS THIS RATE CHANGED RELATIVE TO THE RATE ASSUMED ONE YEAR AGO IN TERMS OF BPS? (FOR EXAMPLE, IF RATES DROPPED FROM 5% TO 4%, YOU WOULD REPORT -100 BPS)							

B. Term charge structure changes – post-level premium term periods

IN THE LAST TWO YEARS, HAVE YOU MADE ANY OF THE FOLLOWING CHANGES TO THE TERM CHARGE STRUCTURE RELATIVE TO POST-LEVEL PREMIUM TERM PERIODS?	YES/NO		
LOWERED THE PREMIUM IN THE YEAR THE YRT SCALE STARTS			
LESS RAPID INCREASE IN THE PREMIUM IN THE YEAR AFTER THE YRT SCALE STARTS			
OTHER CHANGE		=> DESCRIPTION	

C. Mortality assumptions

WHAT ARE YOUR MORTALITY ASSUMPTIONS BASED ON?	INDICATE WITH AN "X"		
COMPANY EXPERIENCE			
INDUSTRY TABLES		=> SPECIFY WHICH TABLES	
CONSULTANT'S RECOMMENDATIONS			
OTHER (PLEASE DESCRIBE)			

D. Do you vary the preferred to standard mortality ratio by issue age? (Yes/No)

Do you vary the preferred to standard mortality ratio by duration? (Yes/No)

Do these rates eventually converge? (Yes/No)

If yes, at what age?

If no, what permanent differential in rates exists?

E. Do you use mortality improvement assumptions in your pricing? (Yes/No)

Is mortality improvement implicit or explicit?

If mortality improvement is applied for a certain number of years, how many years?

If mortality improvement is applied to a certain age, to what age?

Please provide detail on your mortality improvement assumptions (e.g., by age, gender, risk class, etc.)

F. Have you changed your mortality assumption in pricing in light of 2008 VBT studies, 2015 VBT studies or other industry studies (e.g., MIMSA)? (Yes/No)

If based on other industry studies, please specify which studies.

G. Is the slope of your pricing mortality assumption more similar to the 1975–1980 Select & Ultimate Table, the 2001 Valuation Basic Table, the 2008 Valuation Basic Table, or the 2015 Valuation Basic Table?

H. Do you adjust your mortality assumptions based on different lapse assumptions by product? (Yes/No)

I. Please indicate below (with an "X") the overall level of mortality on term insurance relative to that assumed in pricing.

OVERALL LEVEL OF MORTALITY	DURING THE LEVEL PREMIUM TERM PERIOD			AFTER THE LEVEL PREMIUM TERM PERIOD			AGGREGATE		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
MORTALITY RATES WERE CLOSE TO EXPECTED									
MORTALITY RATES WERE LOWER THAN EXPECTED									
MORTALITY RATES WERE GREATER THAN EXPECTED									

J. What is the maximum shock lapse rate assumed at the end of the select period?

What level of anti-selection do you assume (i.e., what percentage of normal mortality is used)?

K. Please indicate below (with an “X”) the overall level of lapses on term insurance relative to that assumed in pricing.

OVERALL LEVEL OF MORTALITY	DURING THE LEVEL PREMIUM TERM PERIOD			AFTER THE LEVEL PREMIUM TERM PERIOD			AGGREGATE		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
LAPSES WERE CLOSE TO EXPECTED									
LAPSES WERE LOWER THAN EXPECTED									
LAPSES WERE GREATER THAN EXPECTED									

L. Overall level of claims for living benefits on term insurance policies

IF YOU OFFER LIVING BENEFITS ON TERM INSURANCE POLICIES, PLEASE INDICATE BELOW (WITH AN “X”) THE OVERALL LEVEL OF CLAIMS FROM 2014 THROUGH 2016 RELATIVE TO THAT ASSUMED IN PRICING.	INCIDENCE OF CLAIMS	TERMINATION OF CLAIMS (E.G., RECOVERY, DEATHS, NONRENEWAL)
CLAIMS WERE CLOSE TO EXPECTED		
CLAIMS WERE BETTER THAN EXPECTED		
CLAIMS WERE WORSE THAN EXPECTED		

M. Conversion privileges offered (Please indicate with an “X”.)

CONVERSION PRIVILEGE	YRT	5 YEAR	10 YEAR	15 YEAR	20 YEAR	25 YEAR	30 YEAR
NO CONVERSION PRIVILEGE							
CONVERSION UNTIL SPECIFIED ATTAINED AGE							
CONVERSION UNTIL EARLIER OF SPECIFIED ATTAINED AGE AND NUMBER OF YEARS							
CONVERSION UNTIL EARLIER OF SPECIFIED ATTAINED AGE AND END OF LEVEL PREMIUM PERIOD							
OTHER							
DESCRIPTION OF OTHER CONVERSION PRIVILEGE							

N. Conversion costs

CONVERSION QUESTION			
HOW DOES YOUR COMPANY PRICE FOR CONVERSION COSTS?			
DO YOU REFLECT THE IMPACT OF REINSURANCE IN THE CONVERSION COST (YES/NO)			
DO YOU REFLECT THE COST OF CONVERSION: (PLEASE INDICATE WITH AN "X")			
IN THE PRICING OF THE TERM PLAN?			
IN THE PRICING OF THE PERMANENT PLAN?			
OTHER		=> DESCRIBE:	

- O. If your term insurance includes the option to convert to a permanent plan, please indicate below (with an "X") the overall level of conversion rates from 2014 to 2016 relative to that assumed in pricing.

OVERALL LEVEL OF CONVERSION	YRT	5 YEAR	10 YEAR	15 YEAR	20 YEAR	25 YEAR	30 YEAR
CONVERSIONS WERE CLOSE TO EXPECTED							
CONVERSIONS WERE LOWER THAN EXPECTED							
CONVERSIONS WERE GREATER THAN EXPECTED							

- P. Home Office Expense Levels
(Exclude field expenses) **Expenses should be reported assuming a \$500,000 20-year level premium term policy, issued at age 40.**

HOME OFFICE EXPENSE LEVELS	PRICING LEVELS	ACTUAL LEVELS (FULLY ALLOCATED)
ACQUISITION (EXCLUDING COMMISSIONS)		
\$ PER POLICY		
% OF PREMIUM		
PER UNIT		
OTHER		
DESCRIPTION OF OTHER ACQUISITION EXPENSE METRIC		
MAINTENANCE		
\$ PER POLICY		
ANNUAL INFLATION %		
% OF PREMIUM		

HOME OFFICE EXPENSE LEVELS	PRICING LEVELS	ACTUAL LEVELS (FULLY ALLOCATED)
% OF PREMIUM – PREMIUM TAXES		
PER UNIT		
OTHER		
DESCRIPTION OF OTHER MAINTENANCE EXPENSE METRIC		

Q. How granular are your expense assumptions used in term insurance? (Yes/No)

EXPENSE	DO THEY VARY BY:				
	ISSUE AGE?	FACE AMOUNT?	GENDER?	OTHER?	DESCRIPTION OF OTHER VARIATION
ACQUISITION (EXCLUDING COMMISSIONS)					
\$ PER POLICY					
% OF PREMIUM					
PER UNIT					
OTHER					
DESCRIPTION OF OTHER ACQUISITION EXPENSE METRIC					
MAINTENANCE					
\$ PER POLICY					
ANNUAL INFLATION %					
% OF PREMIUM					
% OF PREMIUM – PREMIUM TAXES					
PER UNIT					
OTHER					
DESCRIPTION OF OTHER MAINTENANCE EXPENSE METRIC					

R. Acquisition costs

WHICH OF THE FOLLOWING TYPES OF EXPENSES DO YOU INCLUDE AS ACQUISITION COSTS FOR TERM PRICING?	PLEASE INDICATE WITH AN "X".
DISTRIBUTION EXPENSES (EXCLUDING COMMISSIONS)	
MARKETING EXPENSES	
AGENT LICENSING EXPENSES	
COMPLIANCE/LEGAL EXPENSES	
NEW BUSINESS EXPENSES	
UNDERWRITING EXPENSES	
POLICY ADMINISTRATION EXPENSES	
ACCOUNTING/FINANCIAL EXPENSES	
PRODUCT DEVELOPMENT EXPENSES	
IT EXPENSES	
OTHER	

=> DESCRIPTION:

Do you include overhead expenses in pricing term insurance? (Yes/No)

If yes, what percentage of overhead expenses is reflected in pricing term insurance?



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