MILLIMAN RESEARCH REPORT

TERM LIFE INSURANCE ISSUES

Executive Summary

December 2019

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Milliman

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Background

In 2019, Milliman conducted its second biennial broad-based survey on term life insurance. The survey captured historical data for key industry competitors, as well as company perspectives on a range of issues pertaining to these products into the future. Survey topics and questions were determined based on input from participants in the 2017 survey, as well as Milliman consultants. The survey has been updated to include current topics of interest.

The survey was sent via email to term insurance companies on July 11, 2019; 28 companies submitted responses. The companies that participated in the study were:

- Allstate Financial
- Amica Life
- AXA Equitable Life Insurance
- Bankers Life and Casualty
- Brighthouse Financial
- Country Financial
- Foresters Financial
- Guardian Life
- Horace Mann
- John Hancock
- Kansas City Life
- Knights of Columbus
- Midland National
- Mutual of Omaha
- Nassau Re
- Nationwide
- North American Company
- Northwestern Mutual
- Principal Financial Group
- Protective Life
- Prudential
- RiverSource
- SBLI of Massachusetts
- State Farm
- Symetra
- Thrivent Financial
- Transamerica
- Western and Southern Life

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

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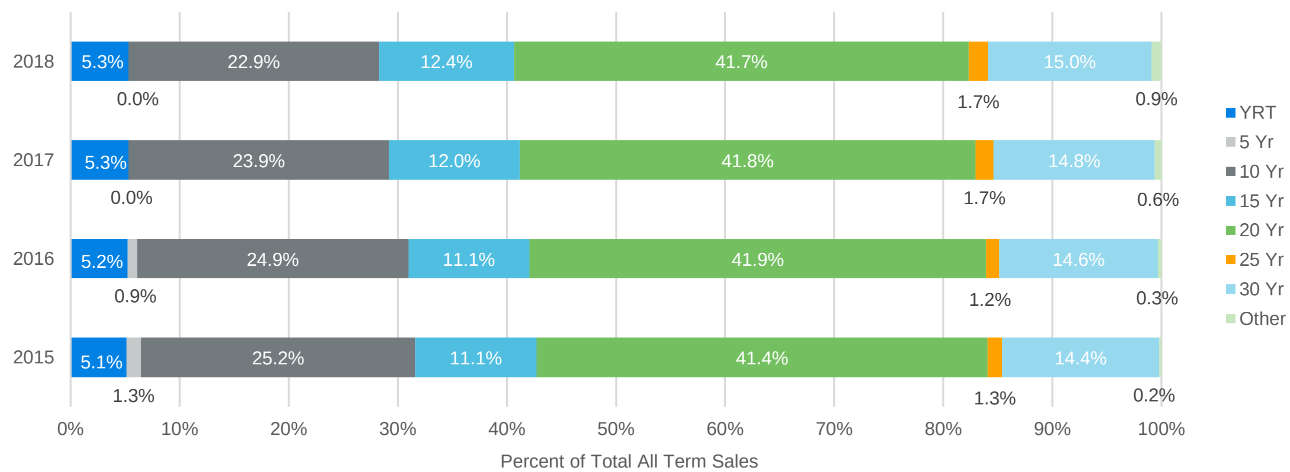
Executive Summary

TERM SALES DETAILS

Survey participants reported total term insurance sales, measured by the sum of recurring premiums plus 10% of single premiums, of $1.12 billion, $1.13 billion, $1.13 billion, and $1.12 billion, respectively, for calendar years 2015 through 2018. (We believe the amount of single premium term sales is negligible.)

All 28 survey participants reported historical sales of term insurance products. Term sales were reported for yearly renewable term (YRT), 5-, 10-, 15-, 20-, 25-, and 30-year level premium term periods (LPTPs), as well as some sales in other LPTPs. The graph in Figure 1 illustrates the term mix by LPTP as reported by survey participants from 2015 through 2018. The market share by LPTP was fairly stable for term products over the survey period, with the 20-year LPTP at about 41% to 42%, followed by the 10-year at 23% to 25%, the 30-year at 14% to 15%, the 15-year around 11% to 12%, and YRT at about 5%. The market share over the survey period primarily shifted from the 5-year term (-1.3%) and 10-year term (-2.2%) to the 15-year term (+1.3%) and other LPTPs.

FIGURE 1: LEVEL PREMIUM TERM PERIOD MIX BY YEAR, ALL TERM[1]

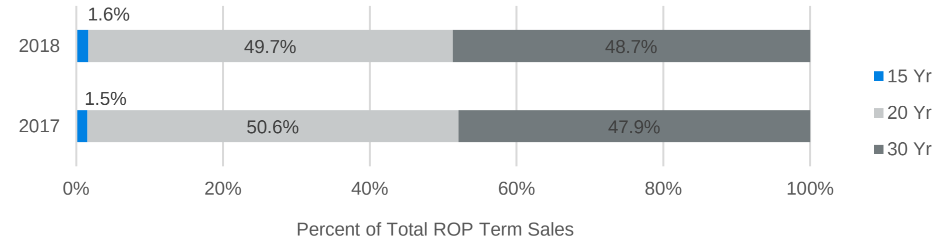


The weighted average premium per policy for all term products with LPTPs combined equaled $1,010 for calendar year 2015, $1,000 for 2016, $1,027 for 2017, and $1,015 for 2018. The weighted average face amount per policy for all other term with LPTPs combined equaled $469,508 for calendar year 2015, $472,252 for 2016, $493,216 for 2017, and $498,051 for 2018.

Of the 28 survey participants, six reported return of premium (ROP) term sales. ROP term sales reported as a percentage of total term sales by all survey partiicipants were 3.9% in 2017 and 4.0% in 2018. For these six participants, ROP term sales as a percentage of their total term sales ranged from 3.6% to 22.8% in 2017 and from 2.6% to 27.1% in 2018. ROP term sales were reported for 15-, 20-, and 30-year LPTPs, with the majority of sales in the 20-year and 30-year terms. The graph in Figure 2 illustrates the ROP mix by LPTP as reported by survey participants for 2017 and 2018. The market share for the 20-year term decreased slightly from 2017 to 2018 and the market share for the 15- and 30-year terms increased slightly from 2017 to 2018.

[1] Figure 1 will be shown again as Figure 9 in the body of the report.

FIGURE 2: LEVEL PREMIUM TERM PERIOD MIX BY YEAR, ROP TERM[2]



The weighted average premium per policy for all ROP LPTPs combined equaled $1,387 for calendar year 2017 and $1,324 for 2018. The weighted average face amount per policy for all ROP LPTPs combined equaled $254,425 for calendar year 2017 and $232,901 for 2018.

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

The distribution of sales for 2018 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 2018 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. Results are shown in Figure 3.

FIGURE 3: WEIGHTED AVERAGE ISSUE AGES[3]

GENDER	ALL TERM
2018 SALES (PREMIUM)	
MALES	49
FEMALES	46
TOTAL	48
2016 SALES (FACE AMOUNT)	
MALES	42
FEMALES	39
TOTAL	41

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

- Simplified issue (SI) underwriting: Less than a complete set of medical history questions and no medical or paramedical exam.
- Accelerated underwriting (AU): Any fully underwritten life insurance program that allows some applicants to forgo having a medical or paramedical exam and providing fluids, if they meet certain requirements and/or meet certain predetermined thresholds.
- 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 2018 term sales by underwriting approach was 7.1% SI, 19.0% AU, and 73.9% fully underwritten.

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

[2] Figure 2 will be shown again as Figure 30 in the body of the report.

[3] Figure 3 includes information shown in above Figure 43 in the body of 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 term ROI/IRR targeted by survey participants is 9.8%. Profit margin is also a popular profit metric used by survey participants for term insurance. The average profit margin is 3.8% on an after-tax, after-capital basis.

Survey participants reported their actual results relative to profit goals for 2018. For all term products, 11% of the participants were exceeding, 50% were meeting or close to, and 39% were short of their profit goals. *The primary reasons reported for not meeting profit goals in 2018 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 all term products ranged from 250% to 471%. The report includes details about the overall NAIC RBC percentage, broken down by component.

RESERVES

Survey participants were asked about their timing for implementation of principle-based reserves (PBR). *The majority of participants (14 of 26 responses) intend to implement PBR in calendar year 2020. Twelve of the 26 implemented (or plan to implement) PBR in calendar years 2019 or prior. The final two survey participants are not implementing PBR*. A wide range of factors were cited that impacted the rationale for participants' implementation plans. Factors include resource issues, levels of reserves under PBR, reserve solutions, system and modeling issues, New York state regulations, and others.

Twenty-three of the 28 survey participants implemented (or plan to implement) the 2017 CSO mortality table in calendar year 2019 or prior. Four of the remaining five participants intend to implement the 2017 CSO in calendar year 2020. The final participant reported that it is implementing the 2017 CSO in both periods.

The majority of participants reported that the ratio test under the stochastic exclusion test (SET) is the most common option used by survey participants. Nineteen of 22 participants use this test. In addition, 16 of 20 responses indicated that SET results are consistent both pre-reinsurance and post-reinsurance.

PBR reserves during the level premium term period must not reflect gains during the post-level premium period. Only deficiencies in the post-level period may be reflected in the level period premium reserves. The California Office of PBR review has interpreted that this requirement must be applied on a cell-by-cell basis. Survey participants were asked what approach they are using to satisfy this requirement. Three of 26 responses indicated they are modeling the reserves on a seriatim basis. An additional eight participants are using an aggregate or product level approach for this purpose. Five participants have not yet determined the approach to be taken and three indicated this question does not apply to them. The remaining seven responses included a variety of comments relative to this issue.

Twenty-four of the 28 survey participants provided a description of the aggregation of mortality segments for purposes of credibility under Valuation Manual Chapter 20 (VM-20). The majority of participants expect to aggregate mortality segments across broad categories, such as all life products, all permanent products, or all fully underwritten products.

Only five survey participants reported using or considering using third-party mortality consistent with the underwriting of their term business in order to increase credibility of the company experience.

Participants were asked about their views regarding the impact of principle-based reserves on term product prices. Fifteen participants reported that term prices will stay the same, seven reported term prices will decrease, and five reported they will increase. The final participant did not respond to the question.

Term insurance is currently offered in the state of New York by 18 of the 28 participants. The New York version of PBR will be required for policies issued on or after January 1, 2021. New York includes a floor that is equal to 70% of the current New York term insurance reserve requirements. Therefore the minimum New York term reserves will be equal to the maximum of 70% of the current New York requirement and VM-20 reserves. Fourteen participants reported they plan to offer term insurance in New York on or after the required use of PBR (January 1, 2021). Three participants do not plan to offer term insurance in New York after that date, five are not sure, and the remaining six did not respond to the question.

RISK MANAGEMENT

In planning for new term products under VM-20, 10 participants anticipate changes to their reinsurance structures in light of PBR. A variety of changes were reported, including ending captive structures, and moving from coinsurance to yearly renewable term (YRT) reinsurance.

Retention limits ranged from $250,000 to $40 million for survey participants, with a median limit of nearly $2.4 million and an average of about $6.6 million.

In both 2017 and 2018, the percentage of new term business that was ceded ranged from 1% to 100%, with an average of 44%. The median was 45% in 2017 and 38% in 2018.

UNDERWRITING

Of the 28 responses, SI underwriting is being used by 12 participants, AU by 19 participants (with one additional participant to implement its program in 2019), and full underwriting by 27 participants. The ages and face amounts where these underwriting approaches are used vary widely among survey participants.

Place rates (defined as issued policies reduced by not taken policies and then divided by those policies applied for) were reported by 24 survey participants. Responses are summarized in Figure 4.

FIGURE 4: PLACE RATES[4]

BASIS	NUMBER OF COMPANIES	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
FULLY UNDERWRITTEN TERM INSURANCE					
POLICY COUNT	23	70%	69%	59%	99%
FACE AMOUNT	18	71%	69%	61%	99%
SI TERM INSURANCE					
POLICY COUNT	9	67%	70%	33%	100%
FACE AMOUNT	9	74%	70%	53%	100%

Fifteen survey participants reported the percentage (based on policy count) of all new term business issued in 2018 that was eligible to have requirements waived under an AU program, assuming only the age and face amount requirements are considered. The percentages ranged from 4% to 94%, with an average of 57% and a median of 53%. If all requirements are considered, responses from these 15, plus one additional participant, ranged from 4% to 77%, with an average of 38% and a median of 39%. The percentage of cases eligible for AU that ultimately qualified to have requirements waived ranged from 10% to 100%, with an average of 40% and a median of 36%. The percentage of qualified cases that actually became sold cases was reported by 13 participants. It ranged from 12% to 98%, with an average of 75% and a median of 84%. The percentage of cases that did not qualify for AU that became sold cases ranged from 42% to 72%, with an average of 63% and a median of 66%.

The use of predictive modeling in the life insurance industry continues to increase. Fifteen survey participants use predictive analytics in their AU algorithms. Six participants reported using predictive analytics in underwriting of term products under other underwriting approaches (i.e., other than AU).

In January 2019, the New York State Department of Financial Services set forth new requirements in Circular Letter No. 1 (2019) for all insurers authorized to write life insurance in the state of New York. The letter includes requirements for insurers using "external data sources, algorithms or predictive models" in the underwriting process. Included in these new requirements is the prohibition of the use of these tools unless the insurer can determine that their use is not unfairly discriminatory. The insurer must also determine that the external data or predictive model is based on sound actuarial principles or experience. Survey partiicpants were asked

[4] Figure 4 includes information shown in Figure 75 in the body of the report.

whether they had received an objection from the state of New York relative to the use of external data sources, algorithms, or predictive models. All 28 participants indicated they had not received such an objection.

The 12 survey participants that use 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 by the individual middle-/upper-income market and mortgage markets. Similarly, 20 survey participants that use 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 by the low-/middle-income market. The most common underwriting tools used in both the SI and AU markets are the Medical Information Bureau (MIB), prescription drug database searches, and motor vehicle records (MVR).

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. Seventeen participants automatically include this rider with the base term policy. Election rates of those riders that are not automatically included were also reported for 2018. The average election rate ranged from 0.9% for a spouse rider (based on five responses) to 51.2% for an accelerated death benefit rider due to terminal illness (based on three 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 by LPTP.

Ten survey participants do not include the policy fee in the calculation for agent compensation on term insurance business. Nine participants do include the policy fee calculating agent compensation. Responses from six additional participants were mixed; they include the fee on some term policies, but not on others.

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 LPTP and by investment income strategy.

FIGURE 5: TERM INSURANCE INVESTMENT INCOME STRATEGIES[5]

LEVEL PREMIUM TERM PERIOD	% ASSUMING INVESTMENT INCOME STRATEGY IN PRICING	
	NEW-MONEY	PORTFOLIO
YRT	33%	67%
5 YEAR	0%	100%
10 YEAR	39%	61%
15 YEAR	46%	54%
20 YEAR	39%	61%
25 YEAR	43%	57%
30 YEAR	42%	58%

Twenty-two of the 28 survey participants responded to questions about the investment strategy (benchmark) for term new business as of June 30, 2019. The average term insurance investment mix (on a normalized basis) is shown in Figure 6. All 22 participants reported allocations to investment grade corporate (IGC) bonds. The next most common category was commercial mortgages (15 participants).

[5] Figure 5 includes information shown in Figure 103 in the body of the report.

FIGURE 6: INVESTMENT MIX FOR TERM INSURANCE[6]

ASSET CATEGORY	AVERAGE INVESTMENT MIX AS OF 6/30/2019
CASH	0.7%
TREASURIES	5.6%
IGC BONDS	39.5%
NON-IGC BONDS	4.8%
COMMERCIAL MORTGAGES	9.2%
PRIVATE PLACEMENTS	11.8%
ASSET BACKED SECURITIES INCLUDING CLOS	3.8%
ALTERNATIVE ASSETS	2.2%
COMMON STOCKS	2.4%
RESIDENTIAL MORTGAGE BACKED SECURITIES AND CMOS	6.8%
HIGH YIELD BANK LOANS	3.5%
OTHER ASSET CATEGORIES	9.7%

Nine of the 28 participants reported that their mortality assumptions are strictly based on company experience. Ten participants base their mortality assumptions on company experience and industry tables, with four of the 10 also basing them on consultants' recommendations. All other participants use various combinations of company experience, industry tables, consultants' recommendations, reinsurers' feedback, 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 five reported they are more similar to the 2008 VBT, three as more similar to the 2001 VBT, and two as more similar to the 1975-1980 Select & Ultimate Table. The final response indicated that the slope of the term pricing mortality is more similar to the 2015 VBT for fully underwritten term products and to the 2008 VBT for SI products.

The overall level of mortality experienced on term insurance relative to that assumed in pricing was reported by survey participants. Figure 7 shows the aggregate mortality levels that were reported for calendar years 2016, 2017, and 2018. *The percentage of participants that reported mortality rates were close to or lower than those assumed in pricing was 80% in 2016, 86% in 2017, and 86% in 2018.* The report also includes the overall level of mortality during the LPTP and separately after the LPTP.

FIGURE 7: OVERALL LEVEL OF MORTALITY, AGGREGATE7

MORTALITY RATES WERE:	NUMBER OF PARTICIPANTS		
	AGGREGATE		
	2016	2017	2018
CLOSE TO EXPECTED	9	6	10
LOWER THAN EXPECTED	7	12	8
GREATER THAN EXPECTED	4	3	3
TOTAL RESPONSES	20	21	21

[6] Figure 6 includes information shown in Figure 106 in the body of the report.

[7] Figure 7 includes information shown in Figure 114 in the body of the report.

The overall level of lapses experienced on term insurance relative to that assumed in pricing was also reported by survey participants. Aggregate lapse rates were reported for calendar years 2016, 2017, and 2018. *Actual lapse experience on an aggregate basis was close to or lower than that assumed in pricing for 90% of participants in 2016, 77% in 2017, and 81% in 2018.* The report also includes the overall level of lapses during the LPTP and separately after the LPTP.

Few participants reported offering conversion privileges on YRT and 5-year term. For 10-, 15-, 20-, and 25-year LPTPs, the most common conversion privilege offered allows conversion until the earlier of a specified attained age and a specified number of years. For 30-year LPTPs, two options are the most popular: conversion until the earlier of a specified attained age and a specified number of years, and conversion until the earlier of a specified attained age and the end of the LPTP. For the majority of participants, the overall level of conversion rates for the period from 2016 to 2018 was close to that assumed in pricing for all LPTPs. *With the exception of YRT, and the 5- and 25-year term periods, the percentage of participants that reported conversion rates close to those assumed in pricing ranged from 78% for the 15-year term, up to 82% for the 30-year term.*

The percentage of calendar year 2018 sales to permanent products (based on the number of policies sold) that came from term conversions was reported by 21 participants. The percentage ranged from 1% to 50%, with an average and median of 17%.

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 and including 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 $2.15 (high premium) and $1.75 (low premium) per $1,000 of face amount. The tables in Figure 8 show statistics relative to dollars of pricing and actual expenses for the representative sample policy.

FIGURE 8: PRICING AND ACTUAL EXPENSES FOR A REPRESENTATIVE SAMPLE TERM POLICY[8]

PRICING EXPENSES	NUMBER OF RESPONSES	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
HIGH PREMIUM – PRICING					
ACQUISITION	27	$798	$732	$300	$1,429
MAINTENANCE (WITHOUT PREMIUM TAXES)	27	$45	$40	$6	$125
MAINTENANCE (WITH PREMIUM TAXES)	27	$59	$50	$6	$147
LOW PREMIUM – PRICING					
ACQUISITION	27	$752	$705	$300	$1,404
MAINTENANCE (WITHOUT PREMIUM TAXES)	27	$45	$40	$5	$125
MAINTENANCE (WITH PREMIUM TAXES)	27	$56	$46	$5	$143

ACTUAL (FULLY ALLOCATED) EXPENSES	NUMBER OF RESPONSES	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
HIGH PREMIUM – ACTUAL					
ACQUISITION	19	$1,137	$1,075	$621	$2,184
MAINTENANCE (WITHOUT PREMIUM TAXES)	19	$83	$72	$6	$300
MAINTENANCE (WITH PREMIUM TAXES)	19	$98	$84	$6	$300
LOW PREMIUM – ACTUAL					
ACQUISITION	19	$1,064	$925	$593	$2,000
MAINTENANCE (WITHOUT PREMIUM TAXES)	19	$82	$71	$5	$300
MAINTENANCE (WITH PREMIUM TAXES)	19	$94	$80	$5	$300

[8] Figure 8 will be shown again as Figure 128 in the body of the report.

Appendix: The survey

Milliman, Inc.

2019 Term Insurance Survey

This survey covers 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.

Mulitple-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 (SI) underwriting: Less than a complete set of medical history questions and no medical or paramedical exam.

Accelerated underwriting (AU): Any fully underwritten life insurance program that allows some applicants to forgo having a medical or paramedical exam and providing fluids, if they meet certain requirements and/or meet a certain pre-determined threshold.

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 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 reporting sales by face amount without a corresponding entry for sales by annualized premium, please report annualized premiums to two–three decimal places.

A. Please provide historical sales of ALL term products broken down by level premium term period.

ALL TERM – ANNUALIZED PREMIUM ($ MILLIONS)									
CALENDAR YEAR	SUM (A) THROUGH (H) TOTAL ALL TERM SALES	(A) YRT	(B) 5 YEAR	(C) 10 YEAR	(D) 15 YEAR	(E) 20 YEAR	(F) 25 YEAR	(G) 30 YEAR	(H) OTHER
2015									
2016									
2017									
2018									

ALL TERM – FACE AMOUNT ($ MILLIONS)									
CALENDAR YEAR	SUM (A) THROUGH (H) TOTAL ALL TERM SALES	(A) YRT	(B) 5 YEAR	(C) 10 YEAR	(D) 15 YEAR	(E) 20 YEAR	(F) 25 YEAR	(G) 30 YEAR	(H) OTHER
2015									
2016									
2017									
2018									

ALL TERM – POLICY COUNT									
CALENDAR YEAR	SUM (A) THROUGH (H) TOTAL ALL TERM SALES	(A) YRT	(B) 5 YEAR	(C) 10 YEAR	(D) 15 YEAR	(E) 20 YEAR	(F) 25 YEAR	(G) 30 YEAR	(H) OTHER
2015									
2016									
2017									
2018									

B. Please provide 2017-2018 sales of Return of Premium (ROP) term products (included in Section A), 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
2015									
2016									
2017									
2018									

ROP TERM – FACE AMOUNT ($ MILLIONS)									
CALENDAR YEAR	SUM (A) THROUGH (H) TOTAL ALL TERM SALES	(A) YRT	(B) 5 YEAR	(C) 10 YEAR	(D) 15 YEAR	(E) 20 YEAR	(F) 25 YEAR	(G) 30 YEAR	(H) OTHER
2015									
2016									
2017									
2018									

ROP TERM – POLICY COUNT									
CALENDAR YEAR	SUM (A) THROUGH (H) TOTAL ALL TERM SALES	(A) YRT	(B) 5 YEAR	(C) 10 YEAR	(D) 15 YEAR	(E) 20 YEAR	(F) 25 YEAR	(G) 30 YEAR	(H) OTHER
2015									
2016									
2017									
2018									

C. Please provide 2018 Total ALL 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	2018 TOTAL ALL TERM SALES	
	ANNUALIZED PREMIUM ($ MILLIONS)	FACE AMOUNT ($ MILLIONS)
AGENCY-BUILDING		
MULTIPLE-LINE EXCLUSIVE-AGENT (MLEA)		
BROKERAGE		

DISTRIBUTION CHANNEL	2018 TOTAL ALL TERM SALES	
	ANNUALIZED PREMIUM ($ MILLIONS)	FACE AMOUNT ($ MILLIONS)
PERSONAL-PRODUCING GENERAL AGENT (PPGA)		
WIREHOUSE		
DIRECT		
BANKS		
OTHER		
PLEASE DESCRIBE THE OTHER DISTRIBUTION CHANNEL(S):		
TOTALS (SHOULD AGREE WITH QUESTION A)		

D. Please provide 2018 Total ALL term sales by issue age group and gender.

GENDER	ISSUE AGE GROUP	2018 TOTAL ALL TERM SALES	
		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+		
TOTAL (SHOULD AGREE WITH QUESTION A)			

E. Please provide 2018 Total ALL term sales by underwriting class and underwriting approach.
Underwriting approach definitions may be found in the Definitions tab.

UNDERWRITING CLASS	2018 TOTAL ALL TERM BUSINESS – SI ANNUALIZED PREMIUM ($ MILLIONS)								
	SUM (A) THROUGH (H) TOTAL ALL 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									
SECOND BEST NS/NT CLASS									
THIRD BEST NS/NT CLASS									
FOURTH BEST NS/NT CLASS									
FIFTH BEST NS/NT CLASS AND LOWER									
BEST S/T CLASS									
SECOND BEST S/T CLASS									
THIRD BEST S/T CLASS AND LOWER									
TOTAL									

UNDERWRITING CLASS	2018 TOTAL ALL TERM BUSINESS – SI FACE AMOUNT ($ MILLIONS)								
	SUM (A) THROUGH (H) TOTAL ALL 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									
SECOND BEST NS/NT CLASS									
THIRD BEST NS/NT CLASS									
FOURTH BEST NS/NT CLASS									
FIFTH BEST NS/NT CLASS AND LOWER									
BEST S/T CLASS									
SECOND BEST S/T CLASS									
THIRD BEST S/T CLASS AND LOWER									
TOTAL									

UNDERWRITING CLASS	2018 TOTAL ALL TERM BUSINESS – AU ANNUALIZED PREMIUM ($ MILLIONS)								
	SUM (A) THROUGH (H) TOTAL ALL 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									
SECOND BEST NS/NT CLASS									
THIRD BEST NS/NT CLASS									
FOURTH BEST NS/NT CLASS									
FIFTH BEST NS/NT CLASS AND LOWER									
BEST S/T CLASS									
SECOND BEST S/T CLASS									
THIRD BEST S/T CLASS AND LOWER									
TOTAL									

UNDERWRITING CLASS	2018 TOTAL ALL TERM BUSINESS – AU FACE AMOUNT ($ MILLIONS)								
	SUM (A) THROUGH (H) TOTAL ALL 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									
SECOND BEST NS/NT CLASS									
THIRD BEST NS/NT CLASS									
FOURTH BEST NS/NT CLASS									
FIFTH BEST NS/NT CLASS AND LOWER									
BEST S/T CLASS									
SECOND BEST S/T CLASS									
THIRD BEST S/T CLASS AND LOWER									
TOTAL									

UNDERWRITING CLASS	2018 TOTAL ALL TERM BUSINESS – FULL UW ANNUALIZED PREMIUM ($ MILLIONS)								
	SUM (A) THROUGH (H) TOTAL ALL 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									
SECOND BEST NS/NT CLASS									
THIRD BEST NS/NT CLASS									
FOURTH BEST NS/NT CLASS									
FIFTH BEST NS/NT CLASS AND LOWER									
BEST S/T CLASS									
SECOND BEST S/T CLASS									
THIRD BEST S/T CLASS AND LOWER									
TOTAL									

UNDERWRITING CLASS	2018 TOTAL ALL TERM BUSINESS – FULL UW FACE AMOUNT ($ MILLIONS)								
	SUM (A) THROUGH (H) TOTAL ALL 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									
SECOND BEST NS/NT CLASS									
THIRD BEST NS/NT CLASS									
FOURTH BEST NS/NT CLASS									
FIFTH BEST NS/NT CLASS AND LOWER									
BEST S/T CLASS									
SECOND BEST S/T CLASS									
THIRD 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	ALL TERM
STATUTORY	
STATUTORY ROI/IRR (%)	
AFTER-TAX? (YES/NO/FRATERNAL)	
AFTER-CAPITAL? (YES/NO)	
PRIMARY OR SECONDARY MEASURE?	
IF STATUTORY IRR IS A PRIMARY MEASURE, IS IT DETERMINED ON A: (PLEASE INDICATE WITH AN "X".)	IF PRICING IS BASED ON A LEVERED BASIS, CASH FLOWS (THAT ARE DISCOUNTED TO SOLVE FOR THE IRR TO GET A PRESENT VALUE OF ZERO) INCLUDE THE AMOUNT BORROWED (+), AS WELL AS THE LOAN REPAYMENTS (-). SO, IF ON AN UNLEVERED BASIS, CAPITAL WAS EQUAL TO $100 (FOR EXAMPLE), BUT ON A LEVERED BASIS, $40 WAS BORROWED, THEN IN THE IRR CALCULATION, $60 OF CAPITAL WOULD BE REFLECTED, AS WELL AS THE LOAN REPAYMENT AMOUNTS.
LEVERED BASIS? (REFLECTS THAT A PORTION OF THE CAPITAL IS FROM BORROWING)	
UNLEVERED BASIS?	
STATUTORY ROA (BPS)	
AFTER-TAX? (YES/NO/FRATERNAL)	
AFTER-CAPITAL? (YES/NO)	
PRIMARY OR SECONDARY MEASURE?	
PROFIT MARGIN (% OF PREMIUM)	
AFTER-TAX? (YES/NO/FRATERNAL)	
AFTER-CAPITAL? (YES/NO)	
PRIMARY OR SECONDARY MEASURE?	
IN THE PRICING OF NEW SALES ISSUED TODAY, WHAT DISCOUNT RATE IS USED TO CALCULATE THE PROFIT MARGIN? (E.G., 0%, 10%)	
WHAT IS THE BASIS 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)	

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

PROFIT MEASURES AND GOALS	ALL TERM
AFTER-TAX? (YES/NO/FRATERNAL)	
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 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 2018 relative to profit goals:

ACTUAL RESULTS	ALL 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	ALL 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	ALL TERM
OVERALL NAIC RBC (% OF COMPANY ACTION LEVEL)	
% OF NET AMOUNT AT RISK	
% OF RESERVES	
% OF PREMIUM	
S&P (EXPRESS AS A % OF NAIC CAL)	
A.M. BEST (EXPRESS AS A % OF BCAR)	
% MCCSR	
INTERNAL FORMULA (EXPRESS AS A % OF NAIC CAL)	
OTHER (PLEASE DESCRIBE AND EXPRESS AS A % OF NAIC CAL)	

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. Please indicate with an “X” the calendar year when you implemented or plan to implement PBR:

IMPLEMENTATION DATE	TERM
2019 OR PRIOR	
2020	

What was/is the primary rationale for the company’s decision regarding the timing of implementing PBR?

Please indicate with an “X” the issue year when you implemented or plan to implement the 2017 CSO valuation mortality table.

ISSUE YEAR	TERM
2019 OR PRIOR	
2020	

B. Which of the Stochastic Exclusion Tests (SET) options does your company employ for this aspect of VM-20 (relative to the term product(s) expected to be sold)?

PLEASE INDICATE WITH AN “X”.	
RATIO TEST	
DEMONSTRATION	
CERTIFICATION	

Are the SET results consistent both pre- and post-reinsurance?

PLEASE INDICATE WITH AN “X”.	
YES	
NO	

Please describe any difficulties around the SET specific to reinsurance.

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

Is your company explicitly modeling deterministic and stochastic reserves in pricing projections (i.e., projecting these resere components)?

PLEASE INDICATE WITH AN "X".	
YES	
NO	

How is your company reflecting reinsurance in the deterministic/stochastic reserve?

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

D. What is your opinion about the Net Premium Reserve floor? (for example, do you think it is still needed, and, if so, why?)

E. PBR reserves during the level premium term period may not reflect gains during the post-level premium period. Only deficiencies in the post-level premium period may be reflected in level premium period reserves. The California Office of PBR review has interpreted that this requirement must be applied on a cell-by-cell basis. What approach are you using to satisfy this requirement? (If using a simplification, please describe.

F. Have you/your company examined the 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)

G. VM-01, paragraph 33 defines a mortality segment as "a subset of policies for which a separate mortality table representing the prudent estimate assumption will be determined." VM-20 permits the aggregation of mortality segments in determining credibility (Section 9.C.4.b). When determining credibility for term products, briefly describe the aggregation of mortality segments for purposes of credibility (i.e., describe the products, risk classes, tobacco status, etc. that are aggregated).

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. Have you used or are you considering using third party mortalitly consistent with the underwriting of your term insurance business in order to increase the credibility of your company experience?

PLEASE INDICATE WITH AN "X".		
YES		
NO		
IF "YES" WHICH OF THE FOLLOWING ARE YOU USING? **PLEASE INDICATE WITH AN "X".**		
THIRD PARTY AGGREGATOR		
REINSURERS		
OTHER		=> DESCRIBE:

IF USING REINSURER MORTALITY, DO YOU USE ANY SPECIAL TECHNIQUES TO ASSURE THAT REINSURER MORTALITY EXPERIENCE IS NOT ON EXCESS OF LOSS BUSINESS, IS ALIGNED WITH YOUR (THE DIRECT INSURER'S) APPROACH AND MIX OF BUSINESS, AND DOES NOT DOUBLE-COUNT YOUR OWN EXPERIENCE? **PLEASE INDICATE WITH AN "X".**	
YES	
NO	
IF "NO", IS THIS ISSUE SOMETHING YOU ARE CONCERNED ABOUT?	
YES	
NO	

What options (other than the use of third-party mortality) have been used to increase credibility of mortality experience?

J. For new term products, does your company use or anticipate using new underwriting techniques 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 best-estimate mortality assumptions for accelerated underwritten business that is (or has been) moved to VM-20 valuation? (For example, retrospective analysis, actuarial study, reinsurer support, medical/clinical study, etc.)

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

L. From an industry perspective, how effective do you think PBR (together with the new tax law) 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.

M. If you have developed any AG 48 projected reserves for your term 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	

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. Do you currently offer term insurance in the state of New York?

YES	
NO	

IF “YES”, ARE YOUR TERM INSURANCE PREMIUMS IN NEW YORK DIFFERENT THATN YOUR COUNTRYWIDE PREMIUMS (IN GENERAL)?		
YES		
NO		
IF “YES”, BY HOW MUCH DO YOUR NEW YORK PREMIUMS DIFFER FROM COUNTRYWIDE PREMIUMS?		

THE NEW YORK VERSION OF PBR WILL BE REQUIRED FOR POLICIES ISSUED ON OR AFTER JANUARY 1, 2021. NEW YORK INCLUDES A FLOOR THAT IS EQUAL TO 70% OF THE CURRENT NEW YORK TERM INSURANCE RESERVE REQUIREMENT. THEREFORE, THE MINIMUM NEW YORK TERM RESERVE WILL BE EQUAL TO MAX (70% OF THE CURRENT NY REQUIREMENT, VM-20). DOES YOUR COMPANY PLAN TO OFFER TERM INSURANCE IN THE STATE OF NEW YORK ON OR AFTER THE REQUIRED USE OF PBR (JANUARY 1, 2021)? PLEASE INDICATE WITH AN “X”		
YES		
NO		

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

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

RISK MANAGEMENT

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

RISK MANAGEMENT MEASURE	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 USED		
DO YOU USE INTERNAL REINSURANCE? (YES/NO)		
IF YES, PLEASE INDICATE WITH AN “X”:		
ONSHORE REINSURANCE IS USED		
OFFSHORE REINSURANCE USED		
IF ONSHORE INTERNAL REINSURANCE IS USED: (PLEASE INDICATE WITH AN “X”)		
ONSHORE WITH LOC OR OTHER 3RD PARTY FUNDING IS USED		
ONSHORE WITH PARENTAL GUARANTEE (“IOWA SOLUTION”) IS USED		
ARE THE CAPITAL MARKETS USED 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 any changes to the reinsurance structure in light of PBR? (Yes/No)
If so, in what way?

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%.)

E. What percentage of your new term business was ceded in:

2017?	
2018?	

F. Please indicate below (with an “X”) the level of reinsurance used for your AU term business:

LEVEL OF REINSURANCE USED FOR AU TERM BUSINESS	(PLEASE INDICATE WITH AN “X”)		
AU BUSINESS IS BEING REINSURED CONSISTENT WITH OTHER TERM BUSINESS			
AU BUSINESS IS BEING FULLY RETAINED			
OTHER APPROACH		=> DESCRIBE:	
DO NOT OFFER AU TERM BUSINESS			

UNDERWRITING

A. Which of the following underwriting approaches is your company currently using for term products, 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	INDICATE WITH AN "X" IF APPROACH IS USED	AGES AND FACE AMOUNTS WHERE USED	
SI UNDERWRITING			
AU			
FULL UNDERWRITING			
OTHER (PLEASE DESCRIBE)			=> DESCRIPTION:

If applicable, when was your term insurance AU program implemented?

If you do not have an AU program for term insurance, are you planning to implement one? (Yes/No)
If so, are you planning to implement it in the next 12 months? (Yes/No)

B. For 2018, what were your place rates?

2018 PLACE RATES EXPERIENCED ON:	BASED ON POLICY COUNT	BASED ON FACE AMOUNT	PLACE RATE IS DEFINED AS: (ISSUED – NOT TAKENS) DIVIDED BY APPLIED FOR
FULLY UNDERWRITTEN BUSINESS			
SI BUSINESS			

C. Of all new term business issued in 2018, if only age and face amount requirements are considered, what percentage (based on policy count) was <u>eligible</u> to have requirements waived under an AU program?

Of all new term business issued in 2018, if all requirements are considered, what percentage (based on policy count) were <u>eligible</u> to have requirements waived under an AU program?

Of those <u>policies</u> that met the requirements of the AU program during YTD 9/30/18, what percentage ultimately qualified to have requirements waived under the accelerated program?
(That is, if the applicant meets the age, policy size, height/weight, or other entrance requirements to participate in the AU program, how many are actually approved to go through the program (vs. being reviewed in the AU program and then "kicked out" to full underwriting due to any of the scores received during the AU program review?))

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

Was the AU term mortality assumption the same as that for fully underwritten business?

YES	
NO	
IF "NO", HOW MUCH DID THE AU MORTALITY AND FULLY UNDERWRITTEN MORTALITY VARY BY?	

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

For accelerated underwritten term 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?

E. Do you use predictive analytics in your accelerated underwriting algorithm for term products? (Yes/No)

Do you allow the use of non-FCRA (Fair Credit Reporting Act) regulated data as part of the term insurance algorithm to waive requirements?

Do you use predictive analytics in underwriting of term policies **under any other underwriting approach (i.e., other than accelerated underwriting)?**

If applicable, please describe your use of predictive analytics for term insurance underwriting (e.g., any direct actions on rating or decisions, or just insight to dig deeper elsewhere.)

F. In January, 2019 the New York State Department of Financial Services set forth new requirements in Circular Letter No. 1 (2019) for all insurers authorized to write life insurance in the state of New York. The letter includes requirements for insurers using "external data sources, algorithms or predictive models" in the underwriting process. Included in these new requirements is the prohibition of the use of these tools unless the insurer can determine that their use is not unfairly discriminatory. The insurer must also determine that the external data or predictive model is based on sound actuarial principles or experience.

HAS YOUR COMPANY RECEIVED AN OBJECTION FROM THE STATE OF NEW YORK RELATIVE TO THE USE OF EXTERNAL DATA SOURCES, ALGORITHMS, OR PREDICTIVE MODELS? (PLEASE INDICATE WITH AN "X".)	
YES	=> PLEASE DESCRIBE:
NO	

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

H. Which level of reinsurance is used for your term insurance business that is:

(PLEASE INDICATE WITH AN "X")	SIMPLIFIED ISSUE BUSINESS?	ACCELERATED UNDERWRITTEN BUSINESS?	FULLY UNDERWRITTEN BUSINESS?
FULLY REINSURED			
PARTIALLY REINSURED			
NOT REINSURED			

I. Which scoring models are used to underwrite term policies?

SCORING MODELS USED TO UNDERWRITE TERM POLICIES	PLEASE INDICATE WITH AN "X")
INTERNAL	
EXTERNAL	
DO NOT USE SCORING MODELS	

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

If applicable, are scoring models used with automated rules? (Yes/No)

IF APPLICABLE, HOW ARE SCORING MODELS BEING USED?	(PLEASE INDICATE WITH AN "X")	
FOR SI TERM BUSINESS		
FOR AU TERM BUSINESS		
FOR FULLY UNDERWRITTEN TERM BUSINESS		
OTHER (PLEASE DESCRIBE)		=> DESCRIPTION:

J. 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?

K. Please respond to the following questions regarding the underwriting of HIV positive cases for term insurance:
Is coverage allowed for HIV positive cases? (Yes/No)
If "Yes", please respond to the following questions:
What is the maximum amount of coverage allowed?
To be eligible for coverage, what are the requirements regarding the diagnosis of HIV positive? (e.g., diagnosed 3 years prior to application for insurance; age range 20-39, etc.)
What are the exclusions for HIV positive cases?

L. If you use simplified issue and/or accelerated underwriting:

PLEASE INDICATE IN WHICH MARKETS TERM PRODUCTS ARE OFFERED. (PLEASE INDICATE WITH AN "X".)	SIMPLIFIED ISSUE	ACCELERATED UNDERWRITING
INDIVIDUAL MIDDLE/UPPER INCOME		
COLI/BOLI		
JUVENILE		
LOW/MIDDLE INCOME		
MORTGAGE		
OTHER (PLEASE DESCRIBE BELOW)		
DESCRIPTION OF OTHER MARKET		

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				
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 BELOW)				
DESCRIPTION OF OTHER UNDERWRITING TOOL OR DATA ELEMENT				

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

M. Which of the following preferred risk parameters at the older ages 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)	
6) NO DIFFERENCE	
7) NO PREFERRED PRODUCT	

N. For your products that offer a preferred risk class, which underwriting methodology is used? (Please indicate with an “X”.)

KNOCK-OUT UNDERWRITING	
DEBIT/CREDIT UNDERWRITING	
OTHER (PLEASE DESCRIBE)	
NO PREFERRED PRODUCT	

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)	2018 ELECTION RATE, IF NOT AUTOMATICALLY INCLUDED
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. What underwriting classes, face amounts, and ages are eligible for acceleration on term policies?

C. 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 DESIGH WITH REDUCED GUARANTEES	
OTHER	
PLEASE DESCRIBE	

D. Does your company allow for purchases of term products via the internet? (Yes/No)

IF YOU RESPONDED "YES", PLEASE RESPOND TO THE FOLLOWING QUESTIONS:	PLEASE INDICATE WITH AN "X".
ARE YOUR INTERNET PRODUCTS:	
NON-MEDICAL?	
MEDICAL?	
WHICH OF THE FOLLOWING ITEMS ARE HANDLED VIA THE INTERNET?	
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?	

E. 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	ALL 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							
WHAT IS THE BASIS OF THE MARKETING ALLOWABLE? (PLEASE INDICATE WITH AN "X".)							
PREMIUM							
COMMISSION							
OTHER (PLEASE DESCRIBE)							
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)

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

CATEGORIES	ALL 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							

CATEGORIES	ALL TERM						
	YRT	5 YEAR	10 YEAR	15 YEAR	20 YEAR	25 YEAR	30 YEAR
DIRECT PAYMENTS MADE TO DISTRIBUTORS TO SPONSOR MEETINGS OR EVENTS							
WHOLESALER AND DISTRIBUTION SUPPORT STAFF COMPENSATION							
WHOLESALER AND DISTRIBUTION SUPPORT STAFF TRAVEL AND EXPENSE BUDGETS							
RECOGNITION							
OTHER							
DESCRIPTION OF OTHER CATEGORY							

D. Commission chargebacks

CATEGORIES	YRT	5 YEAR	10 YEAR	15 YEAR	20 YEAR	25 YEAR	30 YEAR
DO YOU CHARGEBACK COMMISSIONS:							
UPON LAPSE? (YES/NO)							
UPON DEATH? (YES/NO)							
ON FACE AMOUNT DECREASES? (YES/NO)							
IF APPLICABLE, WHAT IS THE LENGTH OF THE COMMISSION CHARGEBACK PERIOD:							
UPON LAPSE?							
UPON DEATH?							
ON FACE AMOUNT DECREASES?							

PRICING

A. Investment income assumption in pricing term products

INVESTMETN 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 CREDITING STRATEGY							
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. What is your investment strategy (benchmark) for your new term business (as of 6/30/2019)? (i.e., what are the targeted allocation percentages for the following asset cateogries?

ASSET CATEGORY	ALLOCATION %	AVERAGE CREDIT QUALITY (AA, BBB, ETC.)	DURATION
CASH			
TREASURIES			
INVESTMENT GRADE CORPORATE BONDS			
NON-INVESTMENT GRADE CORPORATE BONDS			
COMMERCIAL MORTGAGES			
PRIVATE PLACEMENT			
ASSET BACKED SECURITIES INCLUDING CLOS			
ALTERNATIVE ASSETS			
COMMON STOCKS			
RESIDENTIAL MORTGAGE BACKED SECURITIES AND CMOS			
HIGH YIELD BANK LOANS			
EXCHANGE-TRADED FUNDS			
OTHER			
DESCRIPTION OF OTHER ASSET CATEGORY			
TOTAL	100%		

C. 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:

D. Mortality assumptions

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

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

Do you vary the preferred to standard 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?

F. 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?

DOES YOUR MORTALITY IMPROVEMENT ASSUMPTION VARY BY:	(PLEASE INDICATE WITH AN "X".)		
GENDER?			
AGE?			
DURATION?			
SMOKER VS. NON-SMOKER?			
FACE AMOUNT?			
OTHER?		=> DESCRIBE	

What are the mortality improvement factors that are assumed in term pricing? (Please report any variations by age, gender, smoker/nonsmoker, duration, etc.)

Please provide other details, if any, on your mortality improvement assumptions.

G. Have you changed your mortality assumption in pricing in light of 2008 VBT studies, 2016 VBT studies or other industry studies (e.g., MIMSA)? (Yes/No)

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

H. Pricing mortality assumption slope

IS THE SLOPE OF YOUR PRICING MORTALITY ASSUMPTION MORE SIMILAR TO:	PLEASE INDICATE WITH AN "X"
THE 1975-1980 SELECT & ULTIMATE TABLE,	
THE 2001 VALUATION BASIC TABLE,	
THE 2008 VALUATION BASIC TABLE,	
OR THE 2015 VALUATION BASIC TABLE?	

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

J. Do you vary your mortality assumption in the post-level premium period based on the magnitude of the premium increase? (Yes/No)
If "Yes", please describe and provide details of the variation in the mortality assumption.

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

OVERALL LEVEL OF MORTALITY	ALL UNDERWRITING APPROACHES COMBINED								
	DURING THE LEVEL PREMIUM TERM PERIOD			AFTER THE LEVEL PREMIUM TERM PERIOD			AGGREGATE		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
MORTALITY RATES WERE CLOSE TO EXPECTED									
MORTALITY RATES WERE LOWER THAN EXPECTED									
MORTALITY RATES WERE HIGHER THAN EXPECTED									

OVERALL LEVEL OF MORTALITY	FULLY UNDERWRITTEN BUSINESS ONLY								
	DURING THE LEVEL PREMIUM TERM PERIOD			AFTER THE LEVEL PREMIUM TERM PERIOD			AGGREGATE		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
MORTALITY RATES WERE CLOSE TO EXPECTED									
MORTALITY RATES WERE LOWER THAN EXPECTED									
MORTALITY RATES WERE HIGHER THAN EXPECTED									

OVERALL LEVEL OF MORTALITY	AU BUSINESS ONLY								
	DURING THE LEVEL PREMIUM TERM PERIOD			AFTER THE LEVEL PREMIUM TERM PERIOD			AGGREGATE		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
MORTALITY RATES WERE CLOSE TO EXPECTED									
MORTALITY RATES WERE LOWER THAN EXPECTED									
MORTALITY RATES WERE HIGHER THAN EXPECTED									

OVERALL LEVEL OF MORTALITY	SI BUSINESS ONLY								
	DURING THE LEVEL PREMIUM TERM PERIOD			AFTER THE LEVEL PREMIUM TERM PERIOD			AGGREGATE		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
MORTALITY RATES WERE CLOSE TO EXPECTED									
MORTALITY RATES WERE LOWER THAN EXPECTED									
MORTALITY RATES WERE HIGHER THAN EXPECTED									

L. Average lapse rates and anti-selection

QUESTION	YRT	5 YEAR	10 YEAR	15 YEAR	20 YEAR	25 YEAR	30 YEAR
WHAT IS THE AVERAGE SHOCK LAPSE RATE ASSUMED IN THE FIRST YEAR AFTER THE END OF THE LEVEL PREMIUM TERM PERIOD?							
WHAT LEVEL OF ANTI-SELECTION DO YOU ASSUME (I.E., WHAT PERCENTAGE OF NORMAL MORTALITY IS USED)?							

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

OVERALL LEVEL OF LAPSES	DURING THE LEVEL PREMIUM TERM PERIOD			AFTER THE LEVEL PREMIUM TERM PERIOD			AGGREGATE		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
LAPSE RATES WERE CLOSE TO EXPECTED									
LAPSE RATES WERE LOWER THAN EXPECTED									
LAPSE RATES WERE HIGHER THAN EXPECTED									

N. Claims for terminal illness benefits

IF YOU OFFER A TERMINAL ILLNESS BENEFIT ON TERM INSURANCE, PLEASE INDICATE BELOW WITH AN “X” THE OVERALL LEVEL OF CLAIMS FROM 2016 TO 2018 RELATIVE TO THAT ASSUMED IN PRICING.	INCIDENCE OF CLAIMS
TERMINAL ILLNESS CLAIMS WERE CLOSE TO EXPECTED	
TERMINAL ILLNESS CLAIMS WERE BETTER THAN EXPECTED	
TERMINAL ILLNESS CLAIMS WERE WORSE THAN EXPECTED	

O. 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							

DO PARAMETERS FOR TERM CONVERSION PROGRAMS VARY DEPENDING ON THE TERM POLICY DURATION AT THE TIME OF CONVERSION? (YES/NO)		=> DESCRIPTION:	
ARE TERM CONVERSION CREDITS OFFERED? (YES/NO)		=> DESCRIPTION:	
DO YOU OFFER A LOADED PERMANENT PRODUCT (I.E., CONVERSION-ONLY PRODUCT)?			
YES			
NO			
IF “YES”, WHAT ARE THE CHARACTERISTICS OF THE PRODUCT? (I.E., SIMPLIFIED CLASS STRUCTURE, MULTIPLE CLASSES, BUT HIGHER RATES THAN STANDARD PLANS, ETC.)			

ARE YOU CONSIDERING ADJUSTING YOUR CONVERSION RULES GOING FORWARD TO LIMIT CONVERSION PRIVILEGES (I.E., MAXIMUM AGE, POLICY DURATION, ETC.)?		
YES		
NO		
IF “YES”, IN WHAT WAY?		
HAVE YOU CONSIDERED A “FOR CHARGE” CONVERSION EXTENSION RIDER?		
YES		
NO		

P. Converision costs

DO YOU REFLECT THE IMPACT OF REINSURANCE IN THE CONVERSION COSTS?(YES/NO)			
DO YOU REFLECT TH COST OF CONVERSION: (PLEASE INDICATE WITH AN “X”.)			
IN THE PRICING OF THE TERM PLAN?			
IN THE PRICING OF THE PERMANENT PLAN?			
OTHER		=> DESCRIPTION:	
DO YOU REFLECT ANTI-SELECTION MORTALITY IN YOUR CONVERSION COSTS, OR JUST THE POINT-IN-SCALE MORTALITY DIFFERENCE? PLEASE INDICATE WITH AN “X”.			
ANTI-SELECTION MORTALITY REFLECTED			
POINT-IN-SCALE MORTALITY DIFFERENCE REFLECTED			
OTHER		=> DESCRIPTION:	
DO YOU REFLECT THE FUTURE PROFITABILITY OF THE PERMANENT SALE TO HELP OFFSET THE COST OF CONVERSION? PLEASE INDICATE WITH AN ‘X’.			
YES			
NO			
WHAT IS YOUR COMMISSION PRACTICE ON TERM CONVERSIONS?			

Q. Reserves - conversions

ARE RESERVES BUILT UP DURING THE TERM PERIOD FOR FUTURE CONVERSION COSTS? (YES/NO)	
IS THIS TRUE ON BOTH A STATUTORY AND GAAP BASIS? (YES/NO)	
IF “NO”, PLEASE EXPLAIN	
ARE RESERVES TRANSFERRED TO THE PERMANENT BLOCK FOR CONVERSION BUSINESS WHEN CONVERSION OCCURS? (YES/NO)	

R. 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 2016 through 2018 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							

S. What percentage of your calendar year 2018 sales to permanent products (policies sold) came from term conversions?

T. What is the portion of pricing expenses (including overhead) allocated to term business versus other insurance business (relative to annual sales)? For example, if term business comprises 20% of expenses and 25% of insurance sales, the response would be 80% = 20%/25%.

U. Home Office Expense Levels
(Exclude field expenses and commissions) 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 %		

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

V. 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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