

LETTERS

Formula One

Mr. DiRico's article ("Judgment Call: Essentials of the Principles-Based Approach," November/December 2006) is a well-written summary of the proposed principles-based approach (PBA) and related life insurance reserve issues. As a regulatory actuary supporting the advancement of a workable PBA framework, however, I find the often-encountered criticisms of the "formulaic approach" outlined in the chart on page 30 to be somewhat misleading.

A mechanical view of the "formulaic approach" is much more consistent with the Internal Revenue Code than the Standard Valuation Law. One could argue that it was the erosion of the Standard Nonforfeiture Law and the need for tax reserve clarity that led to the painful experience of Actuarial Guideline 38. It's true that regulators can't set precise formulaic standards that are appropriate under all circumstances, but regulatory omniscience wasn't presupposed by the Standard Valuation Law. There has long been a need to rely on the judgment and professionalism of practicing actuaries in setting statutory reserves.

THOMAS KILCOYNE
CAMP HILL, PA.

Feel stuck?

How much room is there for creativity in day-to-day work at an actuarial firm? It depends on the firm. At CCA Strategies, we see actuarial work as a tremendously creative endeavor, and we're expanding our team of those who share this vision. We have a number of openings for actuaries, both entry level and experienced, in all of our offices. If you're looking for the place to do your best work, we invite you to visit us at www.CCAstrategies.com.



CCA Strategies LLC is an affiliate of JPMorgan Chase & Co.

Correction: An incorrect Projected Mortality table was provided to us for the article "Turning the Tables: Mortality Tables Should Reflect Improving Mortality" in the November/December 2005 issue of Contingencies. This is the accurate table.

TABLE II—Projected Mortality

	Monthly annuity due, 5% interest Deferred annuity to age 65 for ages less than 65 Immediate annuity for ages 65 and greater				Changes in annuity value from GAM-83 value at the same age		
	GAM-83	UP-94 @2005	RP-2000 @2005	RP-2000 Generational	UP-94 @2005	RP-2000 @2005	RP-2000 Generational
Male							
35	2.23	2.45	2.48	2.81	9.9%	11.1%	26.0%
45	3.68	4.04	4.08	4.48	9.6%	10.8%	21.6%
55	6.23	6.73	6.79	7.19	8.0%	8.9%	15.4%
65	11.14	11.79	11.78	12.09	5.8%	5.7%	8.5%
75	7.93	8.58	8.37	8.53	8.2%	5.6%	7.5%
85	5.18	5.46	5.12	5.16	5.4%	-1.2%	-0.4%
Female							
35	2.82	2.81	2.72	2.89	-0.5%	-3.8%	2.4%
45	4.63	4.60	4.45	4.66	-0.6%	-3.8%	0.7%
55	7.66	7.60	7.37	7.59	-0.9%	-3.8%	-0.9%
65	13.02	12.95	12.62	12.82	-0.5%	-3.1%	-1.5%
75	9.67	9.77	9.44	9.56	1.1%	-2.4%	-1.1%
85	6.45	6.31	6.15	6.19	-2.1%	-4.5%	-4.0%