Brian Bayerle  
Senior Actuary  

January 31, 2020  

Mr. Mike Boerner  
Chair, NAIC Life Actuarial Task Force (LATF)  

   Re: Amendment Proposal Forms (APFs) Exposed During NAIC Fall Meeting  

Dear Mike:  

The American Council of Life Insurers (ACLI)\(^1\) appreciates the opportunity to submit the following comments regarding the following APFs exposed during the NAIC 2019 Fall Meeting:  

APF 2019-33: Individually underwritten group life insurance  

ACLI has significant concerns with this amendment in its current form. We have two main areas of concern: the scope implied by the definition of “individual risk selection process” and practical implementation concerns.  

Regarding scope, we believe that the wording may inadvertently loop in business not intended to be in scope. For example, something as simple as smoking status could be construed as “individual underwriting”, greatly expanding the business that would be impacted by this proposal. The use of underwriting as the criteria to define what is in scope for PBR is a simplification that could scope in traditional group life policies that are priced based on the unique claim costs of an employer group. We do not believe that is the intent of this APF. The definition of what is in scope for the APF requires additional contemplation.  

Our second concern is around the practical implementation of the amendment. If individually underwritten group business becomes subject to PBR, it would have to follow the prescribed NPR requirements. However, the expected mortality and lapse rates for individually underwritten group business may be different than the prescribed mortality and lapse assumptions in VM-20. Compounding the problem, we are unaware of any experience studies that have been done on this type of business and deriving appropriate assumptions for other underwriting types, such as guaranteed issue and simplified issue, have proven difficult. Without potential adjustments to mortality and lapse rates for individually underwritten group business, companies may see excessive or nonsensical results for the NPR.  

At this time, ACLI is unaware of a wide-spread issue associated with individually underwritten group business; we suspect this is more of a hypothetical problem. As such, we don’t see a pressing need for

---

\(^1\) The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI’s member companies are dedicated to protecting consumers’ financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI’s 280 member companies represent 94 percent of industry assets in the United States.
this APF. We suggest that LATF continue to monitor this issue, and if changes are deemed necessary, LATF should request that the Academy make significant revisions to avoid excessive scope and unintended consequences.

**APF 2019-62: Considerations for term conversion reserves**
ACLI agrees with the American Academy of Actuaries' Life Reserves Work Group on the need to understand what mortality adjustments are being made for term conversions. We support this APF’s improved disclosures associated with conversions.

**APF 2019-60: Allowance for additional credibility methods**
ACLI supports this amendment. This APF provides important flexibility around credibility methods for companies with simplified underwriting business.

**APF 2019-61: Clarification around secondary guarantee riders**
ACLI believes this APF is a straight-forward clarification around what constitutes a secondary guarantee, and supports this amendment.

We look forward to a discussion of these issues. Thank you.

Sincerely,

cc Reggie Mazyck, NAIC