

Draft Pending Adoption

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Life Insurance and Annuities (A) Committee
Minneapolis, Minnesota
August 12, 2025

The Life Insurance and Annuities (A) Committee met in Minneapolis, MN, Aug. 12, 2025. The following Task Force members participated: Judith L. French, Chair (OH); Doug Ommen, Co-Vice Chair (IA); Carter Lawrence, Co-Vice Chair, represented by Bill Huddleston (TN); Mark Fowler (AL); Anita G. Fox (MI); Eric Dunning (NE); Justin Zimmerman (NJ); Amanda Fenwick (NY); Glen Mulready (OK); Elizabeth Kelleher Dwyer represented by Matthew Gendron (RI); Cassie Brown represented by Rachel Hemphill (TX); Scott A. White (VA); and Nathan Houdek (WI). Also participating was: Nour Benchaaboun (MD).

1. Adopted its July 14 Minutes

Director French said the Committee met July 14 and took the following action: 1) adopted its April 30 (Attachment One-A) and Spring National Meeting (*see NAIC Proceedings – Spring 2025, Life Insurance and Annuities (A) Committee*) minutes; 2) adopted a package of 2026 *Valuation Manual* amendments, including amendment proposal form (APF) 2025-04, effectuating the generator of economic scenarios (GOES), and APF 2025-11, a principle based reserving framework for non-variable annuities; 3) adopted *Actuarial Guideline LV—Application of the Valuation Manual for Testing the Adequacy of Reserves Related to Certain Life Reinsurance Treaties* (AG ReAAT).

Director Fox made a motion, seconded by Commissioner Zimmerman, to adopt the Committee's July 14 minutes (Attachment One). The motion passed unanimously.

2. Adopted the Report of the Life Actuarial (A) Task Force

Hemphill said the Life Actuarial (A) Task Force met Aug. 9–10. The Task Force discussed comments received on the potential retrospective application of *Valuation Manual* (VM)-22, Requirements for Principle-Based Reserves for Non-Variable Annuities. The discussion considered whether any retrospective application should be optional or required. Hemphill explained that this was an initial discussion of the issue, and further discussion is planned.

Hemphill said the Task Force also discussed the model governance framework for the GOES. Hemphill said NAIC staff continue to improve the model governance framework document based on comments received and subsequent discussion. Hemphill said that given the importance of the GOES, the Task Force remains committed to developing and maintaining a robust model governance framework.

The Task Force also discussed comments received on the exposed targeted revisions to the additional disclosures section of *Actuarial Guideline XLIX-A—Application of the Life Illustrations Model Regulation to Policies with Index-Based Interest* (AG 49-A). These targeted revisions were to address an issue identified by an informal group of regulators, where multiple historical averages were shown in tables side-by-side with the maximum illustrated rate. These "historical averages" were sometimes based on backcast or simulated historical performance despite indices having only been recently created. The comments received suggested primarily clarifying edits, and the Task Force re-exposed the revisions to AG 49-A for a public comment period ending Sept. 8.

Hemphill said the Task Force discussed templates that could be used as part of reporting for (AG ReAAT). The templates were exposed for a public comment period ending Sept. 8.

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Gendron made a motion, seconded by Commissioner Ommen, to adopt the report of the Life Actuarial (A) Task Force. The motion passed unanimously.

3. Received an Update on the Annuity Suitability (A) Working Group

Commissioner Ommen said the Annuity Suitability (A) Working Group exposed a revised draft safe harbor guidance document dated Aug. 7 for a comment period ending Sept. 22. The Working Group plans to schedule a meeting to discuss any comments received.

Commissioner Ommen explained that the Committee will achieve its priority to develop annuity suitability enforcement training. The annuity best interest training course is being held in conjunction with the Insurance Summit on Sept. 17. The training will include three classroom sessions in the morning, covering: 1) annuities generally; 2) the *Suitability in Annuity Transactions Model Regulation* (#275); and 3) producer training. The morning classroom sessions are designed for all insurance department regulators, including examiners, investigators, and attorneys, and will be available virtually. The afternoon session includes practical deposition skills training for attorneys and investigators.

Commissioner Ommen reminded the Committee of its priority to develop an administrative enforcement reporting system, significantly driven by the need to publish annuity best interest cases. In addition, administrative law reporting would improve consistency in interpretation across the model laws. Westlaw requested funding for 2026 to include administrative law decisions. Lexis has not responded to inquiries, and NAIC staff plan to continue communicating with them. Additionally, NAIC staff plan to arrange a discussion between the chairs and vice-chairs of the Life Insurance and Annuities (A) Committee and the Market Regulation and Consumer Affairs (D) Committee to discuss whether modifications to the Regulatory Information Retrieval System (RIRS) might address some of the issues identified. The plan is to complete the project by the end of the year.

4. Heard an Update on the CIPR and SOA Project on the Use of Criminal History in Life Insurance Underwriting

Kelly Edmiston (NAIC) gave an update on the Center for Insurance Policy and Research (CIPR) and Society of Actuaries (SOA) project on the use of criminal history in life insurance underwriting. The SOA had started on a research project to better understand the current landscape and the link between criminal history and mortality and longevity. The SOA contracted with an independent actuary, David Shraub (David Schraub Actuarial Consultancy), to run the project. The CIPR subsequently joined the project and will be contributing significant funding. Edmiston said he will work with Schraub on the research and ensure that the interests of the NAIC and the Life Insurance and Annuities (A) Committee are well represented. Edmiston said he is also conducting a literature review on criminal history and its use in life insurance underwriting. There is a project oversight group (POG) to monitor the research and make suggestions to ensure quality outcomes. The project contemplates three sets of surveys: 1) to data providers; 2) to reinsurers; and 3) to insurers. A survey has been sent to data providers, and the project is awaiting responses. The next step is to consider ways to incentivize the data providers to respond.

Peter Kochenburger (Individual Consumer Advocate) asked whether the focus of the study was on the effect of incarceration and criminal history on morbidity, or if the study also looked at how criminal history is used in a variety of other life insurance functions. Edmiston said the focus is on mortality and morbidity. Edmiston said that criminal history and incarceration are very different and considered separately.

Kochenburger said that in his experience as someone who has conducted research, a research survey is not likely to get many responses. This points to the importance of having regulators conduct a survey, which could ask for the additional information that was contained in the now-disbanded Special (EX) Committee on Race and

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Insurance's Life Workstream draft survey. Even if a survey conducted by an insurance department is voluntary, it is more likely to get responses.

5. Heard a Presentation from SAGAA on Fair Access to Life Insurance for Individuals Living with HIV/AIDS

Jonah von der Embse (Sexuality and Gender Alliance of Actuaries—SAGAA) gave a presentation on fair access to life insurance for people living with HIV/AIDS. He said the most important thing when talking about HIV/AIDS is to understand the beginning, present, and future. The first cases started in 1981 and spread to hundreds by the end of the year. By 1987, tens of thousands of people in the U.S. had contracted HIV, which then progressed into AIDS. Life expectancy at the time was two years.

The SOA convened a task force to focus on the crisis in the life insurance industry at the time. It concluded that anyone with HIV was essentially uninsurable. That was nearly four decades ago, and that conclusion has never been re-addressed. At that time, several bioethicists in the Journal of Insurance Medicine stated that a blanket coverage denial was only justifiable while life expectancy remained dramatically low.

In the mid-1990s, antiretroviral therapy (ART) was introduced, and mortality rates dropped. Mortality has decreased by 80% since 1995, and there has been a further 50% drop since 2010. What started as a death sentence has moved toward a chronic condition. There is an increasing number of treatment options for people with HIV/AIDS.

At the federal level, there have been a number of protections enacted to protect people with HIV/AIDS, such as the Americans with Disabilities Act (ADA), the Fair Housing Act (FHA), and the Affordable Care Act (ACA), adding protections for people with HIV status. However, these protections do not always exist at the state level.

Nearly 1.2 million people are living with HIV. Even though new infections have decreased, there are more and more people with HIV because of the dramatic increase in life expectancy. The current HIV population skews toward the LGBTQ+ community and minority groups, but affects people across the country. Additionally, nearly two-thirds of those with HIV are virally suppressed or undetectable. This means that they are actively receiving treatment and can no longer spread HIV to other individuals.

Despite all the improvements in treatment and a growing and aging population of people living with HIV, the options for life insurance for this population remain limited at best. This can be attributed to two key issues: 1) the historical and persistent stigma around people with HIV; and 2) outdated pricing relying on historical mortality data. Individuals with HIV are stigmatized in many ways. In some states, people with HIV have to be registered as sex offenders. Less than half of adults in a recent poll said they would be comfortable interacting with someone living with HIV. One of the questions asked if the person would be okay shaking hands, and less than half of those polled said yes. Even with all the medical advances, there is still significant stigma to overcome. An individual with HIV, age 40, in treatment taking ART has less than a year difference in life expectancy than a 40-year-old without HIV.

The HIV population is one of the most well-studied and followed populations, and nearly every insurer has access to public data that could be used to supplement any of its own information to realize that, with accurate underwriting, the mortality impact on people living with HIV can be accurately assessed instead of being automatically denied.

However, there has been some positive movement. In 2015, Prudential became the first company in the U.S. to offer term life insurance. Guardian followed shortly after and offered a permanent whole life product. A few companies offer coverage to people living with HIV, generally with a requirement for the usage of ART or their

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CD4 cell count. California became the first state to pass a law prohibiting the denial of life insurance to California residents solely based on HIV status.

California's law is a reaction to a market that is not functioning in accordance with normal supply and demand principles. There is a population and the data, but there is no access to the data that the population needs. The Actuarial Standards of Practice (ASOP) No. 12 states that risk classification is reasonable when based on sound actuarial principles and related to actual or reasonably expected experience. However, based on society's values, it is accepted that many companies put people living with HIV into an uninsurable category without going through a full underwriting process.

SAGAA believes that it is appropriate for regulators and legislators to intervene when an insurance market is not functioning appropriately, such as when it is not operating in accordance with the principles of supply and demand. Some argue that the market is not broken because there are some options available for people living with HIV, life insurance is a voluntary marketplace with underwriting to reduce anti-selection, and legislation will lead to forcing life insurers to insure everyone. On the other hand, insurers are using historical data that is not reflective of medical advances, which means they are denying coverage to a population that has faced historical stigma and barriers and had federal intervention to provide protections. Since the population skews toward the LGBTQ+ community and minority groups, further intervention may be justified.

In looking at how to move forward, SAGAA has focused on gathering volumes of experience studies and data about all the mortality and morbidity trends. SAGAA has also focused on providing industry education and awareness through individual company presentations and presentations at SOA meetings. SAGAA is working as hard as it can to spread this message. However, if things do not change, the next steps to pursue include regulatory action, model laws, or legislation similar to what was passed in California.

Von der Embse said that, in the early years of HIV/AIDs, life expectancy was virtually nothing, giving this population a death sentence with diagnosis. Decades have passed, and now people with HIV can live long and healthy lives. Yet, as an industry, people living with HIV are not afforded the options they deserve based on their true mortality risk. He said anyone who wants to see a longer version of this presentation or obtain additional information can email www.sagaactuaries.org.

6. Heard a Presentation from Ladder on Direct-to-Consumer Life Insurance Sales

Commissioner Houdek introduced Cara St. Martin (Ladder) to give a presentation on direct-to-consumer life insurance sales. Commissioner Houdek explained that the Wisconsin Department of Insurance (DOI) has been particularly interested in learning how consumer protection standards and compliance protocols are used in the online distribution channels.

St. Martin explained that Ladder was founded in 2015 and is a direct-to-consumer online life insurance company. Ladder's chief executive officer (CEO) lost his father when he was a young boy. His father had life insurance, and he appreciated the financial security that insurance provided to his family. As an adult, he decided that life insurance should be accessible to everyone, and he had the idea for Ladder.

St. Martin explained that Ladder is a third-party administrator (TPA), a distributor, and a life insurance company licensed in California. It is a digital company that offers basic term life insurance to consumers in all 50 states. Ladder provides life insurance for individuals aged 20 to 60, with term lengths ranging from 10 to 30 years. Coverage is offered in face amounts between \$100,000–\$8,000,000, with no medical exams up to \$3,000,000. All policies are fully underwritten using traditional underwriting sources to complete the accelerated underwriting (AU) process.

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Ladder applicants answer a few questions and receive an instant decision. Applicants either receive an instant offer, an instant decline, or an explanation that they may need to go down the manual underwriting path. Ladder is self-service oriented, and all policy and disclosure documents are available in a client portal. The experience is designed to be online, and the content is specifically designed to be viewed using a phone or computer. Ladder complies with all ADA requirements, including font size and color contrast.

St. Martin explained how Ladder ensures consumer understanding. Ladder offers a number of tools, including frequently asked questions (FAQs), blogs, and an insurance calculator on their website. In addition to the tools on the website, Ladder has a customer service team that consumers can contact.

St. Martin said that often, people think that applying for insurance online is a game and will make up information to see what happens. Consumers do not believe there is anything behind just filling out the application, but Ladder's AU rules are based on its underwriting manual, which is designed to mimic a human underwriter. The application flow asks reflexive follow-up questions. For example, follow-up questions if a consumer answers "Yes" to the question "Do you smoke?" include: "What do you smoke?" and "How much do you smoke?" If the consumer says they are diabetic, the application will ask follow-up questions about how it is being treated.

Ladder offers instant quotes that include disclosures that the quote is just an estimate, and the price may change after completing the full application process. The quote is generated based on a limited number of questions. Ladder obtains the consumer's authorization to underwrite using traditional data (e.g., prescription drug history, medical history, data from the Medical Information Bureau (MIB Group), motor vehicle records, and criminal history). The authorization explains the type of information that may be collected, the purpose for collecting it, and the consumer's right to revoke the authorization. Ladder does not use nontraditional data like shopping habits, biometrics, or social media. All authorizations are signed electronically and kept in the client's portal, where they can access them.

Financial underwriting also takes place, and if someone does not meet the financial guidelines, they might be offered a policy with a lower face amount. Ladder prioritizes giving people options. If a consumer has gone through the process and has been presented with an offer, they have the ability to toggle to see how much a lower face amount policy will lower their premium or see how much the premium will increase if the face amount of the policy is increased. Another feature of Ladder is the ability to lower or "ladder" down your policy's face amount after you have purchased the policy. However, if a consumer wants more insurance, they have to apply. St. Martin said this ability to "ladder" is important to consumers and has contributed to Ladder's high net promoter score (NPS), which is a consumer satisfaction metric based on the answer to the question "On a scale of 1 to 10, how likely are you to recommend Ladder to a friend or colleague?" Ladder has a score of 86, and the industry average is 30.

Kochenburger asked whether Ladder's underwriting considers arrests or only arrests followed by a conviction. St. Martin said the application asks whether the applicant has been convicted or charged with a felony or a misdemeanor, and then, depending on the answer, asks reflexive questions. St. Martin said Ladder has had some interesting experiences with people applying for insurance right before they go to prison or while in prison.

Director Fox asked if Ladder is a licensed carrier in California, and what happens to consumers from other states. St. Martin said Ladder is a licensed carrier in California only, but Ladder is a distributor for other carriers in all 50 states and the District of Columbia. St. Martin stated that consumers are matched with a carrier based on their distribution channel, but they will always receive a policy from a carrier licensed in their state of residence. Director Fox asked about a consumer's ability to ask questions throughout the process and whether there is a record of answers on which the consumer may be relying. St. Martin said that consumers can call or email Ladder if they have questions. Questions are answered by Ladder's customer service team, housed in a ticketing system, and attached to that individual consumer. Director Fox asked how a question about how to use the calculator

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would be addressed. St. Martin said the customer service team would instruct them on how to use the calculator. Director Fox asked how a customer would change their beneficiary. St. Martin said that once customers have a policy, they would be instructed on how to do that. St. Martin said any customer service representative in the administrative system would be able to see when a customer called or emailed, what they asked, and what response they received.

Benchaaboun asked for clarification about how Ladder works with respect to a state with prior approval, such as Maryland. Would a Maryland consumer applying on Ladder's online portal receive a Maryland or California policy? St. Martin said if a customer fills out the application and indicates they are in Maryland on the application flow, they would be issued a Maryland policy that has been approved by the Interstate Insurance Product Regulation Commission (Compact) and includes all the required Maryland forms. Consumers are not provided with the company's name during the application process, which is largely the same in most states except Florida and New York.

Commissioner Houdek asked if Ladder plans to expand into other life insurance products beyond term life, such as whole life. St. Martin said Ladder has talked about it, but it has no plans to offer products other than term life at this time. Gendron asked whether customers are potentially paying more than they would have had they gone through medical underwriting if Ladder issues a \$3,000,000 policy without a medical exam after answering a few health-related questions and an MIB search. St. Martin said they would not pay more under the AU process.

Commissioner Zimmerman asked if Ladder does underwriting in states other than California. St. Martin said Ladder does underwriting as a TPA for the carriers in other states. Commissioner Zimmerman asked how laddering works. St. Martin explained that during the policy term, the consumer can go into their client portal and choose a lower face amount and "ladder" down the policy, and the premium will adjust. They will be issued a new schedule page. It is the same product, just with a new face amount. However, there is no "laddering" up. In order to increase the face amount, the consumer has to reapply.

Director Fox asked how consumers can judge a company's rating if they do not know the company's name when applying for coverage. She asked if the minimum standards for the companies that Ladder works with are advertised. St. Martin explained that different distribution channels get matched with different insurers. Some distribution channels advertise certain insurers and their ratings; otherwise, the consumer would have to look it up. Director Fox asked at what point the consumer learned the insurance company's name in the process. St. Martin said that after the application flow, the insurance company's name is on the offer, so they will know who the carrier is before policy issuance.

Benchaaboun asked whether, when a product a consumer applied for is either denied or rated through the AU process, there is an option to go through traditional underwriting, limited underwriting, or any other options. St. Martin said that if a consumer is denied or rated, they will get an adverse underwriting notice. The notice may include information about other possible options, not necessarily through Ladder, but through another provider that Ladder may or may not have a relationship with. Benchaaboun asked who a consumer who had been denied or rated by Ladder could complain to. St. Martin said a consumer who wanted to complain about an adverse underwriting decision would complain to the insurance department in the state where they reside. The insurance department would go to the carrier licensed in their state, and the carrier would contact Ladder as the TPA to provide the underwriting information that is the basis for the adverse underwriting decision.

Having no further business, the Life Insurance and Annuities (A) Committee adjourned.

Sharepoint/MemberMeetings/ACMTE/2025SummerNationalMeeting/A_Cmte_min final