MEETING MATERIALS PACKET

LIFE ACTUARIAL (A) TASK FORCE

August 12, 2021

NAIC SUMMER NATIONAL MEETING

Virtual

August 12, 2021

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NAIC NATIONAL MEETING SUMMER 2021

Date: 8/3/21

Virtual Meeting
(in lieu of meeting at the 2021 Summer National Meeting)

LIFE ACTUARIAL (A) TASK FORCE
Thursday, August 12, 2021
10:00 a.m. – 3:30 p.m. ET / 9:00 a.m. – 2:30 p.m. CT /8:00 a.m. – 1:30 p.m. MT / 7:00 a.m. – 12:30 p.m. PT

ROLL CALL

Member	Representative	State
Doug Slape, Chair	Mike Boerner	Texas
Judith L. French, Vice Chair	Peter Weber	Ohio
Jim L. Ridling	Jennifer Li	Alabama
Lori K. Wing-Heier	Sharon Comstock	Alaska
Ricardo Lara	Thomas Reedy	California
Michael Conway	Eric Unger	Colorado
Andrew N. Mais	Wanchin Chou	Connecticut
Dana Popish Severinghaus	Bruce Sartain	Illinois
Amy L. Beard	Stephen Chamblee	Indiana
Doug Ommen	Mike Yanacheak	Iowa
Vicki Schmidt	Nicole Boyd	Kansas
Grace Arnold	Fred Andersen	Minnesota
Chlora Lindley-Myers	William Leung	Missouri
Eric Dunning	Rhonda Ahrens	Nebraska
Marlene Caride	Seong-min Eom	New Jersey
Linda A. Lacewell	Bill Carmello	New York
Glen Mulready	Andrew Schallhorn	Oklahoma
Jonathan T. Pike	Tomasz Serbinowski	Utah
Scott A. White	Craig Chupp	Virginia
James A. Dodrill	Timothy Sigman/Joylynn Fix	West Virginia

NAIC Support Staff: Reggie Mazyck/Scott O'Neal

AGENDA (Eastern Time)

10:00 – 10:05 a.m.	1. Call to Order/Roll Call/Consider Adoption of its Minutes and Subgroup Reports—*Mike Boerner (TX)*
10:05 – 10:20 a.m.	2. Consider Adoption of the Valuation Manual (VM)-22 (A) Subgroup Report—*Bruce Sartain (IL)*
10:20 – 11:40 a.m.	3. Discussion of Future Mortality Improvement Rates—*Marianne Purushotham (Society of Actuaries—SOA), Mary Bahna-Nolan (SOA) and Scott O'Neal (NAIC)*
11:40 – 11:55 a.m.	Break

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11:55 a.m. – 12:15 p.m.	4. Discuss Comments on the Economic Scenario Generator (ESG) —*Daniel Finn (Conning, Inc), Pat Allison (NAIC) and Scott O'Neal*
12:15 – 1:30 p.m.	Lunch
1:30 – 1:45 p.m.	5. Consider Exposure of the Generally Recognized Expense Tables (GRET)—*Tony Phipps (SOA)*
1:45 – 2:15 p.m.	6. Hear an Update on the Transition from LIBOR–*Brian Bayerle (American Council of Life Insurers—ACLI) and Pat Allison*
2:15 – 2:30 p.m.	7. Hear an Update on Experience Reporting Data Collection—*Pat Allison and Angela McNabb (NAIC)*
2:30 – 2:45 p.m.	8. Hear an Update on SOA Research and Education—*Dale Hall (SOA)*
2:45 – 3:00 p.m.	9. Hear an Update from the American Academy of Actuaries (Academy) Life Practice Council—*Laura Hanson (Academy Life Practice Council)*
3:00 – 3:30 p.m.	10. Discuss Any Other Matter Brought Before the Task Force

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Agenda Item 1

Consider Adoption of its Minutes

Draft: 7/23/21

Life Actuarial (A) Task Force
Virtual Meeting
July 1, 2021

The Life Actuarial (A) Task Force met July 1, 2021. The following Task Force members participated: Doug Slape, Chair, represented by Mike Boerner, Rachel Hemphill, and Karen Jiang (TX); Judith L. French, Vice Chair, represented by Jason Wade (OH); Lori K. Wing-Heier represented by Sharon Comstock (AK); Jim L. Ridling represented by Jennifer Li and Steve Ostlund (AL); Ricardo Lara represented by Thomas Reedy and Ben Bock (CA); Michael Conway represented by Eric Unger (CO); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Dana Popish Severinghaus represented by Bruce Sartain and Vincent Tsang (IL); Amy L. Beard represented by Stephen Chamblee (IN); Vicki Schmidt represented by Nicole Boyd (KS); Grace Arnold represented by Fred Andersen and John Robinson (MN); Chlora Lindley-Myers represented by William Leung (MO); Eric Dunning represented by Rhonda Ahrens (NE); Marlene Caride represented by Kevin Clarkson (NJ); Linda A. Lacewell represented by Bill Carmello and Amanda Fenwick (NY); Jonathan T. Pike represented by Tomasz Serbinowski (UT); Scott A. White represented by Craig Chupp (VA); and James A. Dodrill represented by Joylynn Fix (WV).

1. Adopted Amendment Proposal 2019-33

Ms. Hemphill noted that the term “and certificates” was added to the Life Principle-Based Reserving (PBR) Exemption section of amendment proposal 2019-33. She identified several other places in that section where the terms “and certificates” or “or certificates” should be added. NAIC staff agreed to edit the amendment proposal to incorporate those terms.

Mr. Leung made a motion, seconded by Mr. Robinson, to adopt amendment proposal 2019-33 (Attachment A), including the edits by NAIC staff. The motion passed unanimously.

2. Adopted Amendment Proposal 2021-09

Ms. Hemphill said the first question on the American Council of Life Insurers (ACLI) comment letter (Attachment B) asks why VM-21, Requirements for Principle-Based Reserves for Variable Annuities, Section 1.E refers to both the reserve and the Total Asset Requirement (TAR), while VM-21, Section 3.H references only the TAR. She said the two sections are related, but they are not the same. She said Section 3.H follows the precedent in VM-21 that allows simplifications if they have no significant impact or bias on TAR.

Ms. Hemphill said the second and fourth questions on the ACLI comment letter discuss the alternative method and the existing hedging requirements. She said neither are considered simplifications, approximations, or modeling efficiency techniques relative to the benchmark VM-21 requirements; therefore, no adjustment to the amendment proposal is necessary. She said the third question asks whether both the criteria in VM-21 Section 3.F.2.e—the first criteria being that simplifications and approximations cannot materially understate TAR and the second criteria being that simplifications and approximations cannot have a downward bias on TAR—are necessary. She responded that both criteria are necessary to capture both the accuracy and precision of the simplification or approximation. Brian Bayerle (ACLI) said the ACLI concerns were adequately addressed by Ms. Hemphill’s responses.

Ms. Ahrens made a motion, seconded by Mr. Weber, to adopt amendment proposal 2021-09 (Attachment C). The motion passed unanimously.

3. Discussed Amendment Proposal 2020-12

Ms. Hemphill said while there is some comfort with the ideas presented in amendment proposal 2020-12 (Attachment D), there are enough industry member questions on the scope of the amendment to warrant establishing a state insurance regulator drafting group to initiate a series of one-on-one discussions with companies to better understand the underlying issues. Mr. Clarkson, Mr. Reedy, and Mr. Chou volunteered to join the drafting group.

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4. Re-Exposed Amendment Proposal 2019-34

Leonard Mangini (American Academy of Actuaries—Academy) said the Academy comment letter (Attachment E) asserts that the amendment proposal duplicates the regulatory authority provided by the *Valuation Manual* and is therefore unnecessary. Mr. Bayerle said the ACLI comment letter (Attachment F) notes that the requirements created by the amendment proposal are onerous and may produce unreliable results. He said the letter also identifies existing sources of guidance that address the issues the amendment proposal purports to correct. He said the ACLI is willing to present examples to inform state insurance regulators of some of the challenges that could surface if the amendment proposal is adopted. Mr. Chupp said his comment letter (Attachment G) aligns with the Academy and ACLI comments, and he advises that the amendment proposal is unnecessary.

Mr. Robinson said one of the goals of the amendment proposal is to provide a national standard for circumstances where an actuary determines the reserves for a block of business, but it does not complete asset adequacy testing on the business. He said the proposal is applicable to all business, but how it will be practically applied to modified coinsurance and coinsurance funds withheld business is still in question.

Mr. Robinson made a motion, seconded by Mr. Leung, to re-expose amendment proposal 2019-34 (Attachment H) for a public comment period ending July 20. The motion passed, with Mr. Unger, Mr. Sartain, Mr. Clarkson, Mr. Carmello, and Mr. Serbinowski dissenting.

Having no further business, the Life Actuarial (A) Task Force adjourned.

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Draft: 7/23/21

Life Actuarial (A) Task Force
Virtual Meeting
June 24, 2021

The Life Actuarial (A) Task Force met June 24, 2021. The following Task Force members participated: Doug Slape, Chair, represented by Mike Boerner, Rachel Hemphill, and Karen Jiang (TX); Judith L. French, Vice Chair, represented by Jason Wade (OH); Lori K. Wing-Heier represented by Sharon Comstock (AK); Jim L. Ridling represented by Jennifer Li and Steve Ostlund (AL); Ricardo Lara represented by Thomas Reedy and Ben Bock (CA); Michael Conway represented by Eric Unger (CO); Andrew N. Mais represented by Wanchin Chou (CT); Dana Popish Severinghaus represented by Bruce Sartain and Vincent Tsang (IL); Amy L. Beard represented by Stephen Chamblee (IN); Vicki Schmidt represented by Nicole Boyd (KS); Grace Arnold represented by Fred Andersen and John Robinson (MN); Chlora Lindley-Myers represented by William Leung (MO); Eric Dunning represented by Rhonda Ahrens (NE); Marlene Caride represented by David Wolf (NJ); Linda A. Lacewell represented by Bill Carmello and Amanda Fenwick (NY); Glen Mulready represented by Andrew Schallhorn (OK); Jonathan T. Pike represented by Tomasz Serbinowski (UT); Scott A. White represented by Craig Chupp (VA); and James A. Dodrill represented by Joylynn Fix (WV).

1. Adopted Amendment Proposal 2021-10

Mr. Leung made a motion, seconded by Mr. Weber, to adopt amendment proposal 2021-10 (Attachment A). The motion passed unanimously.

2. Tabled Amendment Proposal 2021-08

Mr. Boerner said amendment proposal 2021-08 recommends reducing the experience reporting data collection lag from two years to one year and collecting experience data for the 2020 and 2021 exposure periods in 2022. He said Mary Bahna-Nolan (Society of Actuaries—SOA) and Larry Bruning (SOA) advocate reducing the lag to allow for additional experience data for the 2015 Valuation Basic Table (VBT) update. He said the American Council of Life Insurers (ACLI) comment letter supports deferring adoption of the amendment proposal until new accelerated underwriting data elements are adopted. He noted that adoption of the accelerated underwriting data elements may be a couple of years away. He said the ACLI is also concerned that the existing deadlines may not allow companies sufficient time to provide the data for the 2021 exposure year. Dan Schelp (NAIC) said the *Valuation Manual* allows the experience reporting agent to modify the reporting requirements as needed, with the approval of the Task Force. He recommended that any action taken to extend the reporting deadline be applied broadly and not on a case-by-case basis. Ms. Ahrens agreed that companies may not have sufficient resources to provide the required data. Brian Bayerle (ACLI) said the ACLI questions whether collecting two years of data in 2022 will stretch NAIC resources. He asked that adoption of the amendment proposal be deferred. Mr. Boerner said the effort to collect two years of data in 2022 is not appreciably different from the current efforts to collect data for 2018 and 2019. Philip Wunderlich (Nationwide) said having only six months between the year of the reporting year and the initial data submission date makes the reporting of deaths challenging. He said it will also affect the quality of the data submitted due to the reduction in the time available for the company's internal data scrubbing efforts.

Ms. Ahrens made a motion, seconded by Mr. Carmello, to table amendment proposal 2021-08 (Attachment B). The motion passed unanimously.

3. Re-Exposed Amendment Proposal 2019-33

Mr. Boerner said a non-substantive change was made to the prior version of amendment proposal 2019-33. The change clarifies that the scope of the individual certificates issued under group contracts is not limited by or dependent upon the date of the group master contract. Mr. Chupp listed some editorial changes to the prior version. Leonard Mangini (American Academy of Actuaries—Academy) said the Academy agrees with the Mr. Chupp's editorial changes. Mr. Chupp also proposed to change the wording in VM-20, Requirements for Principles-Based Reserves for Life Products, Section 1.B.2 from "premiums or cost of insurance schedules and charges…" to "premiums or cost of insurance schedules or charges…" Ms. Bahna-Nolan said Mr. Chupp is considering banding when looking at the language. She said the term "coverage amount" refers to units per $1,000, and it was not intended to consider banding. She suggested adding a note to clarify "coverage amount" does not imply banding, instead of making the proposed change. Mr. Chupp agreed that adding a note will be sufficient. Mr. Boerner asked if the Academy would like the exposure to address the author's note in the exposure, which questions whether the term "ordinary life

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policies" should be changed to "individual life insurance policies and certificates." Ms. Bahna-Nolan said she would address the matter by providing a clarification of the issue raised by the author's note for inclusion in the exposure.

Mr. Chupp made a motion, seconded by Mr. Leung, to re-expose amendment proposal 2019-33 (Attachment C), including Mr. Chupp's editorial changes and both the note on coverage amount and the clarification of the author's note to be provided by Ms. Bahna-Nolan for a public comment period ending June 30. The motion passed unanimously.

4. Adopted Amendment Proposal 2021-07

Mr. Bock said the first four suggestions in his comment letter (Attachment D) are editorial changes. He said his fifth suggestion recommends repositioning certain paragraphs of VM-20 Section 3.B.5 to improve its flow. He noted that the adoption of the fifth suggestion will alleviate the need for the editorial changes proposed in the fourth suggestion. David Neve (Actuarial Resources Corporation of GA—ARCGA) agreed with Mr. Bock's suggested changes.

Mr. Chupp made a motion, seconded by Mr. Weber, to adopt amendment proposal 2021-07 (Attachment E), including suggestions #1, #2, #3, and #5 from Mr. Bock. The motion passed unanimously.

Having no further business, the Life Actuarial (A) Task Force adjourned.

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Life Actuarial (A) Task Force
Virtual Meeting
June 17, 2021

The Life Actuarial (A) Task Force met June 17, 2021. The following Task Force members participated: Doug Slape, Chair, represented by Mike Boerner, Rachel Hemphill, and Karen Jiang (TX); Judith L. French, Vice Chair, represented by Jason Wade (OH); Lori K. Wing-Heier represented by Sharon Comstock (AK); Jim L. Ridling represented by Jennifer Li and Steve Ostlund (AL); Ricardo Lara represented by Thomas Reedy and Perry Kupferman (CA); Michael Conway represented by Eric Unger (CO); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Dana Popish Severinghaus represented by Bruce Sartain and Vincent Tsang (IL); Amy L. Beard represented by Stephen Chamblee (IN); Vicki Schmidt represented by Nicole Boyd (KS); Grace Arnold represented by Fred Andersen and John Robinson (MN); Chlora Lindley-Myers represented by William Leung (MO); Eric Dunning represented by Rhonda Ahrens (NE); Marlene Caride represented by David Wolf (NJ); Linda A. Lacewell represented by Bill Carmello and Amanda Fenwick (NY); Glen Mulready represented by Andrew Schallhorn (OK); Jonathan T. Pike represented by Tomasz Serbinowski (UT); Scott A. White represented by Craig Chupp (VA); and James A. Dodrill represented by Joylynn Fix (WV).

1. Discussed Amendment Proposal 2021-08

Brian Bayerle (American Council of Life Insurers—ACLI) said the ACLI comment letter (Attachment A) reiterates the ACLI verbal comments from the Task Force's June 10 meeting. The comments included concerns about amendment proposal 2021-08 (Attachment B) aiming to reduce the data lag given the expected implementation of additional data elements in 2023. Mr. Boerner noted that the accelerated underwriting data elements, which comprise most of the additional elements, will not be added until 2023 or 2024. He suggested that the workload issues of concern to the ACLI can be addressed at that time. Pat Allison (NAIC) said the amount of work related to implementing the additional data elements into the data collection process is substantial. She noted that adding accelerated underwriting data elements may scope in some companies that are not currently subject to the data collection requirements. She said the current stability of the data collection process gives NAIC staff comfort with collecting two years of data in 2022 to facilitate the reduction in the data lag. She said the data collection process workload will be lighter if the data lag reduction occurs prior to the implementation of the additional data elements. Larry Bruning (Society of Actuaries—SOA) said the 2015 Valuation Basic Table (VBT) is based on industry experience from 2002 through 2009, making the data 12–15 years old. He said confidence intervals of actual to expected mortality for the 2015 VBT, updated with data through 2016, showed that the 2015 VBT is out of date when compared to current experience. Mary Bahna-Nolan (SOA) said there is not enough information to properly analyze the underlying reasons for the lower actual to expected confidence intervals. She said the additional data that can be collected by reducing the data lag is essential for developing a new VBT in a timely manner. Mr. Chou agreed that reducing the time lag prior to introducing the accelerated underwriting data elements is preferable. Ms. Ahrens expressed concerns about the impact reducing the data lag will have on company and state insurance regulator workload. Mr. Bayerle asked if accommodations will be made for companies that are unable to meet the required timeline due to the reduced data lag. Ms. Allison said it may be possible to extend the timeline. Dan Schelp (NAIC) agreed to review the *Valuation Manual* to determine the degree of discretion the NAIC may have in moving the target dates. Mr. Boerner said the discussion will continue when additional information from Mr. Schelp is available.

2. Appoint a Subgroup to Consider Interim Values for ILVAs

Mr. Weber said additional regulation is required to establish interim values for index-linked variable annuities (ILVAs). He asked the Task Force to appoint a subgroup to address the issue. He proposed a single charge for Task Force consideration. Mr. Serbinowski made a motion, seconded by Ms. Ahrens, to adopt the subgroup charge (Attachment C) and allow the subgroup members to determine whether to retain the name Index-Linked Variable Annuity (A) Subgroup, as identified in the charge. The motion passed unanimously.

3. Discussed Amendment Proposal 2020-12

Ms. Hemphill said several changes have been made to amendment proposal 2020-12 (Attachment D) to narrow its scope. She said the intent of the changes is to take a principle-based approach to hedging as opposed to addressing specific hedging strategies. Ken Christy (Allianz) discussed the Allianz comment letter (Attachment E). He said the issues stated in the letter have been addressed by the changes to amendment proposal 2020-12. Discussion of the proposal will resume on June 24.

Having no further business, the Life Actuarial (A) Task Force adjourned.

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Draft: 7/12/21

Life Actuarial (A) Task Force
Virtual Meeting
June 10, 2021

The Life Actuarial (A) Task Force met June 10, 2021. The following Task Force members participated: Doug Slape, Chair, represented by Mike Boerner, Rachel Hemphill, and Karen Jiang (TX); Judith L. French, Vice Chair, represented by Jason Wade (OH); Lori K. Wing-Heier represented by Sharon Comstock (AK); Jim L. Ridling represented by Jennifer Li and Steve Ostlund (AL); Ricardo Lara represented by Thomas Reedy and Perry Kupferman (CA); Michael Conway represented by Eric Unger (CO); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Dana Popish Severinghaus represented by Bruce Sartain and Vincent Tsang (IL); Vicki Schmidt represented by Nicole Boyd (KS); Grace Arnold represented by Fred Andersen and John Robinson (MN); Chlora Lindley-Myers represented by William Leung (MO); Eric Dunning represented by Rhonda Ahrens (NE); Marlene Caride represented by Dave Wolf (NJ); Linda A. Lacewell represented by Bill Carmello and Amanda Fenwick (NY); Glen Mulready represented by Andrew Schallhorn (OK); Jonathan T. Pike represented by Tomasz Serbinowski (UT); and Scott A. White represented by Craig Chupp (VA).

1. Exposed Amendment Proposal 2021-10

Angela McNabb (NAIC) said amendment proposal 2021-10 modifies the smoker status data element in Appendix 4 of VM-51, Experience Reporting Formats, to recognize the current smoker status instead of the smoker status at time of policy issuance.

Mr. Leung made a motion, seconded by Mr. Kupferman, to deem the amendment proposal non-substantive. The motion passed unanimously.

Mr. Leung made a motion, seconded by Ms. Ahrens, to expose amendment proposal 2021-10 (Attachment A) for a 10-day public comment period ending June 21. The motion passed unanimously.

2. Extended the Public Comment Period for Amendment Proposal 2021-08

Brian Bayerle (American Council of Life Insurers—ACLI) said the ACLI supports the Society of Actuaries (SOA) mortality table development efforts and understands its need to reflect as recent experience as possible. He said that considering the additional data elements expected in 2023 as part of the effort to support accelerated underwriting, adoption of the amendment proposal should be deferred. He said reducing the data lag now would stress the data submission process. Ms. Ahrens agreed that the adoption should be deferred until after the completion of this year's data call.

Ms. Ahrens made a motion, seconded by Mr. Schallhorn, to extend the public comment period for amendment proposal 2021-08 (Attachment B) until June 15. The motion passed unanimously.

3. Adopted Amendment Proposal 2020-10

Mr. Carmello said the New York Department of Financial Services (NYDFS) comment letter (Attachment C) reiterates its position against allowing the use of future mortality improvement. He said the NYDFS believes that the ½ c_x is the appropriate reserve credit for yearly renewable term (YRT) reinsurance. Mr. Reedy said the California Department of Insurance (DOI) agrees with the position of the NYDFS. He specifically noted that given the impact of COVID-19, the timing is unusual for considering mortality improvement.

Ms. Hemphill said the amendment proposal allows for the Task Force adoption of mortality improvement in the future. She said the amendment proposal states that until the Task Force adopts factors, the mortality improvement factor is 0%. She said that the SOA will consider the impacts of COVID-19 in its factor development.

Mr. Wolf said the State of New Jersey Department of Banking and Insurance and the Arizona Department of Insurance and Financial Institutions support version 4 of the Section 8.C edits. He said they generally believe that grandfathering the YRT approach for policies issued prior to 2020 is appropriate for companies that have complied with existing regulatory requirements.

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Ms. Hemphill recapped the four versions of edits to Section 8.C of VM-20, Requirements for Principle-Based Reserves for Life Products, designed to handle the 2017–2019 issue year carveout from the interim YRT solution, as provided in the proposal for commenters' consideration. She detailed the differences between the approaches.

Ms. Ahrens said that while she understands Mr. Wolf's position on grandfathering, there is precedence for the phase-in approach in version 3. She said the spirit of principle-based reserving (PBR) includes getting to more of an economic reserve basis for which the assumptions for old and new business are continually recalibrated. She expressed concern about proposals that segment the business and may require separate modeling. Mr. Leung said that because applying future mortality improvement results in a reserve reduction, he believes that makes other reserve credit methods inappropriate. Ms. Hemphill said phasing in the future mortality improvement avoids any double counting of the ½ c_x approach. Mr. Leung voiced his support for version 3.

Ms. Ahrens made a motion, seconded by Mr. Leung, to adopt amendment proposal 2020-10 (Attachment D) with version 3 of edits to Section 8.C of VM-20. The motion passed, with Mr. Carmello and Mr. Kupferman dissenting.

4. Discussed Amendment Proposal 2019-33

Mr. Chupp discussed his comment letter (Attachment E) on amendment proposal 2019-33 (Attachment F). Leonard Mangini (American Academy of Actuaries—Academy) said the Academy will accept Mr. Chupp's editorial corrections, but his other comments will require further discussion. Mr. Boerner said the discussions will be continued during a future meeting.

Having no further business, the Life Actuarial (A) Task Force adjourned.

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Draft: 7/12/21

Life Actuarial (A) Task Force
Virtual Meeting
May 27, 2021

The Life Actuarial (A) Task Force met May 27, 2021. The following Task Force members participated: Doug Slape, Chair, represented by Mike Boerner, Rachel Hemphill, and Karen Jiang (TX); Judith L. French, Vice Chair, represented by Jason Wade (OH); Lori K. Wing-Heier represented by Sharon Comstock (AK); Jim L. Ridling represented by Jennifer Li and Steve Ostlund (AL); Ricardo Lara represented by Ben Bock and Perry Kupferman (CA); Michael Conway represented by Eric Unger (CO); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Dana Popish Severinghaus represented by Bruce Sartain and Vincent Tsang (IL); Stephen W. Robertson represented by Karl Knable (IN); Grace Arnold represented by Fred Andersen and John Robinson (MN); Chlora Lindley-Myers represented by William Leung (MO); Eric Dunning represented by Rhonda Ahrens (NE); Marlene Caride represented by Kevin Clarkson (NJ); Linda A. Lacewell represented by Bill Carmello and Amanda Fenwick (NY); Glen Mulready represented by Andrew Schallhorn (OK); Jonathan T. Pike represented by Tomasz Serbinowski (UT); Scott A. White represented by Craig Chupp (VA); and James A. Dodrill represented by Joylynn Fix (WV).

1. Re-Exposed Amendment Proposal 2021-09

Ms. Hemphill said amendment proposal 2021-09 addresses the determination of materiality and the use of simplifications and approximations in VM-21, Requirements for Principle-Based Reserves for Variable Annuities. She said the proposed changes require the addition of a new paragraph to VM-21 Section 1, a new paragraph to VM-21 Section 3, and two revisions to Section 3 of VM-31, PBR Actuarial Report Requirements for Business Subject to a Principle-Based Valuation. Connie Tang (Prudential) asked if simplifications related to hedge modeling will require additional demonstrations of the materiality. Ms. Hemphill said those simplifications should be covered by the back-testing documentation.

Mr. Chou made a motion, seconded by Mr. Leung, to re-expose amendment proposal 2021-09 (Attachment A) for a 21-day public comment period ending June 16. The motion passed unanimously.

2. Re-Exposed Amendment Proposal 2020-10

Ms. Hemphill said amendment proposal 2020-10 recommends reflecting a prudent level of mortality improvement beyond the valuation date. She noted that reflecting a prudent level of future mortality improvement in the mortality assumption makes the interim ½ c_x approach for determining the yearly renewable term (YRT) reinsurance reserve credit a reasonable consideration for a long-term approach for determining the reserve credit. She said four versions of edits to Section 8.C of VM-20, Requirements for Principle-Based Reserves for Life Products, designed to handle the 2017-2019 issue year carveout from the interim YRT solution, are provided in the proposal for commenters' consideration. She discussed the details of the differences between the approaches.

Mr. Chupp said the edits in the revised amendment proposal address most of the issues raised in his comment letter (Attachment B). Sheldon Summers (Claire Thinking Inc.), said his comments (Attachment C) represent his own thoughts and not those of his organization. He said using the ½ c_x approach as the long-term solution may result in understated reserves for some companies. He said there are situations for which the ceding company should model the YRT reinsurance cash flows, using the ½ c_x as the reserve credit cap, and there are situations for which the assuming company should model the YRT reinsurance cash flows, with the ½ c_x as the reserve credit floor. Ms. Hemphill suggested addressing that issue in a separate amendment proposal.

Sharon Brody (Prudential) and Catherine Murphy (John Hancock) discussed the comment letter (Attachment D) jointly submitted by their companies. Ms. Brody said their comments were addressed in the version 3 and version 4 of the Section 8.C edits Ms. Hemphill presented. She voiced disappointment that a more principle-based solution could not be reached. Ms. Murphy noted John Hancock's appreciation for the grandfathering options and the continuing conversation.

Leonard Mangini (American Academy of Actuaries—-Academy) said the revised amendment proposal addressed the Academy comments (Attachment E). Brian Bayerle (American Council of Life Insurers—ACLI) said the ACLI comments (Attachment F) were also addressed.

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Ms. Fenwick said the New York Department of Financial Services (NYDFS) is against allowing the use of future mortality improvement. She said the NYDFS prefers version 1 of the Section 8.C edits, which removes the option for grandfathering.

Ms. Hemphill said that a motion to expose the amendment proposal should include revisions to the guidance notes in Section 6.A.2.b.v and Section 9.C.7.f that add the phrase "prior to the adoption by LATF of the first set of future mortality improvement factors, the future mortality improvement rate shall be zero percent."
.
Mr. Chupp made a motion, seconded by Mr. Leung, to re-expose amendment proposal 2020-10 (Attachment G), including the additional language provided by Ms. Hemphill, for a 12-day public comment period ending June 8. The motion passed, with Ms. Fenwick dissenting.

3. Heard a Status Update on the ESG Project

Mr. Boerner said a drafting group of Task Force members, NAIC staff, and Conning Inc. staff have been meeting regularly to facilitate the implementation of the economic scenario generator (ESG). He said future meetings will include industry subject matter experts (SMEs) from the ACLI and the Academy.

4. Adopted Amendment Proposal 2021-06

Angela McNabb (NAIC) said amendment proposal 2021-06 allows for a third party to submit experience data on behalf of the company participating in the mortality experience data call.

Mr. Chou made a motion, seconded by Mr. Sartain, to adopt amendment proposal 2021-06 (Attachment H). The motion passed unanimously.

Having no further business, the Life Actuarial (A) Task Force adjourned.

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Draft: 7/12/21

Life Actuarial (A) Task Force
Virtual Meeting
May 20, 2021

The Life Actuarial (A) Task Force met May 20, 2021. The following Task Force members participated: Doug Slape, Chair, represented by Mike Boerner, Rachel Hemphill, and Karen Jiang (TX); Judith L. French, Vice Chair, represented by Peter Weber (OH); Lori K. Wing-Heier represented by Sharon Comstock (AK); Jim L. Ridling represented by Jennifer Li and Steve Ostlund (AL); Ricardo Lara represented by Ben Bock and Perry Kupferman (CA); Michael Conway represented by Eric Unger (CO); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Dana Popish Severinghaus represented by Bruce Sartain and Vincent Tsang (IL); Stephen W. Robertson represented by Karl Knable (IN); Grace Arnold represented by Fred Andersen and John Robinson (MN); Chlora Lindley-Myers represented by William Leung (MO); Eric Dunning represented by Rhonda Ahrens (NE); Marlene Caride represented by Kevin Clarkson (NJ); Linda A. Lacewell represented by Bill Carmello and Amanda Fenwick (NY); Glen Mulready represented by Andrew Schallhorn (OK); Jonathan T. Pike represented by Tomasz Serbinowski (UT); and Scott A. White represented by Craig Chupp (VA).

1. Discussed the Memorandum on Current ESG Work

Mr. Boerner discussed the memorandum (Attachment A) from the Task Force and the Life Risk-Based Capital (E) Working Group on the current economic scenario generator (ESG) work. He said the memorandum documents the Task Force and Working Group's goal of transparency in communicating the progress on the ESG project to state insurance regulators and interested parties. He said there will be no ESG field test in 2021. He said industry subject matter experts (SMEs) will be invited to contribute to future ESG drafting group discussions. He said the Task Force will provide more frequent updates to better inform interested parties.

2. Adopted Amendment Proposal 2021-05

William Wilton (unaffiliated) discussed his comment letter (Attachment B) on amendment proposal 2021-05. He said the letter recommends making changes to only VM-31, PBR Actuarial Report Requirements for Business Subject to a Principle-Based Valuation, and proposes no changes be made to VM-20, Requirements for Principle-Based Reserves for Life Products, or VM-21, Requirements for Principle-Based Reserves for Variable Annuities. He said using the term "modeled company investment strategy" in VM-31 creates problems. He said he recommends replacing it with "modeled investment strategy" or "alternative investment strategy" as the appropriate terms. He further indicated that a subsequent amendment to remove the investment advisor certification requirement should be considered. David Neve (Actuarial Resources Corporation of Georgia—ARC-GA) said changes to VM-20 and VM-21 are necessary for consistency in defining the weighted average life. He said companies are misinterpreting the modeled company investment strategy referenced in VM-31 as the winning strategy. He agreed that clarification of the modeled company investment strategy is necessary.

Mr. Carmello made a motion, seconded by Mr. Robinson, to adopt amendment proposal 2021-05 (Attachment C). The motion passed unanimously.

3. Re-Exposed Amendment Proposal 2020-12

Brian Bayerle (American Council of Life Insurers—ACLI) said the ACLI comment letter (Attachment D) recognizes that a company may have valid reasons for choosing not to model a clearly defined hedging strategy (CDHS). He said amendment proposal 2020-12 seems to suggest that some CDHS strategies are not legitimate. He said the amendment proposal introduces new concepts that change the treatment of current and future hedges. He said the current version of the amendment proposal introduces additional ambiguities. He said the ACLI supports the intent of the amendment proposal but would like to see the ambiguities clarified. He noted that the ACLI comment letter provides suggested changes to address optionality within the CDHS.

Ms. Hemphill said the ACLI revisions to the amendment proposal are not acceptable because they preserve and add complexity to the current optionality. She said the optionality makes regulatory evaluation of a CDHS difficult. She said the proposal fails to address the issue of the inconsistency of the current CDHS treatment with the general principles of principle-based reserving (PBR) defined in the Guidance Note in Section 7.K.1 of VM-20. She disagreed with the ACLI notion that the amendment proposal requirement to reflect hedging suggests that certain hedging strategies are not legitimate. Ms. Jiang responded to the

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ACLI general concern No. 2 related to differences in current treatment versus proposed treatment of hedges. She said the ACLI chart on Page 3 of its comment letter provides an inaccurate comparison of the proposed and current treatment. She said Section 7.K.1 of VM-20 provides requirements for future transactions for both CDHS and non-hedging derivatives. She noted that the amendment proposal does not affect any requirements for non-hedging derivatives programs. She said the amendment proposal better aligns the treatment of CDHS and non-hedging transactions.

Ms. Hemphill said the amendment proposal was revised to reflect the technical concerns posed by the ACLI, including a clarification that the principles addressed in the proposal apply to the modeling of the CDHS and not to the CDHS itself. She and Ms. Jiang disagreed with other items that the ACLI contends are potentially confusing.

Mr. Robinson shared that his comment letter (Attachment E) highlights that principle No. 2 requires all income, benefit, and expense items be included in the modeling. He said modeling a CDHS or seasoned hedging strategy (SHS) only under certain circumstances violates principle No. 2. He said the relationship of the SHS and CDHS should be clarified. Ms. Jiang said the amendment proposal incorporated most of the editorial changes Mr. Robinson proposed.

Mr. Sartain made a motion, seconded by Mr. Robinson, to re-expose amendment proposal 2020-12 (Attachment F) for a 21-day public comment period ending June 11. The motion passed unanimously.

Having no further business, the Life Actuarial (A) Task Force adjourned.

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Draft: 5/27/21

Life Actuarial (A) Task Force
Virtual Meeting
May 13, 2021

The Life Actuarial (A) Task Force met May 13, 2021. The following Task Force members participated: Doug Slape, Chair, represented by Mike Boerner and Rachel Hemphill (TX); Judith L. French, Vice Chair, represented by Peter Weber (OH); Lori K. Wing-Heier represented by Sharon Comstock (AK); Jim L. Ridling represented by Jennifer Li and Steve Ostlund (AL); Ricardo Lara represented by Ben Bock and Perry Kupferman (CA); Michael Conway represented by Eric Unger (CO); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Dana Popish Severinghaus represented by Bruce Sartain and Vincent Tsang (IL); Vicki Schmidt represented by Nicole Boyd (KS); Grace Arnold represented by Fred Andersen and John Robinson (MN); Chlora Lindley-Myers represented by William Leung (MO); Eric Dunning represented by Rhonda Ahrens (NE); Marlene Caride represented by Kevin Clarkson (NJ); Linda A. Lacewell represented by Bill Carmello and Amanda Fenwick (NY); Glen Mulready represented by Andrew Schallhorn (OK); Jonathan T. Pike represented by Tomasz Serbinowski (UT); Scott A. White represented by Craig Chupp (VA); and James A. Dodrill represented by Tim Sigman and Joylynn Fix (WV).

1. Discussed an Upcoming ILVA Meeting

Mr. Weber provided descriptions of annuity products in the spectrum between fixed annuities and variable annuities. He said the products are marketed under various names, including index-linked variable annuities (ILVAs) and buffer annuities. He said the products are carved out of the *Standard Nonforfeiture Law for Individual Deferred Annuities* (#805), but they are not within the scope of the *Variable Annuity Model Regulation* (#250) because they do not follow the values in a separate account. He said regulator-to-regulator meetings will be scheduled to provide education on the indexed products, where specific company filings may be discussed. Those calls will be followed by open meetings to discuss what steps can be taken to provide consumer protections related to the surrender of these products. Mr. Weber said the goal is to have requirements developed by the end of the year.

2. Exposed Amendment Proposal 2019-34

Mr. Robinson continued the discussion of amendment proposal 2019-34. He said two considerations for the Task Force are the challenges of trying to regulate business reinsured by offshore companies and the need to assess some business on a standalone basis. He said if the amendment proposal is exposed for comment, commenters will be asked to provide references to formal guidance that supports the notion that the company that bears the risk should be responsible for asset adequacy testing. Mr. Serbinowski discussed his comment letter (Attachment A). He said it would be difficult for the reinsurer to provide standalone asset adequacy testing to a ceding company because that business is aggregated with the business of other cedants. He said for modified coinsurance (mod-co) or funds withheld reinsurance agreements, he supports having the company holding the assets perform the asset adequacy testing. Mr. Robinson clarified that the amendment proposal is intended to address all forms of reinsurance. Mr. Sartain asked if the requirements address the responsibility of the appointed actuary for assessing credit risk. Mr. Robinson indicated that he is not aware of any such requirements. Mr. Andersen said historically, the Actuarial Standards of Practice (ASOPs) were relied upon to provide guidance on such issues. Mr. Sartain said it makes sense to have the reinsurer be responsible to perform asset adequacy testing on the business it assumes. He noted that the ceding company responsibility should increase as the credit risk grows. Ms. Fenwick said the New York State Department of Financial Services (NYSDFS) has taken the position that the ceding company retains responsibility for reinsured business and is required to do the asset adequacy testing on a gross basis without the benefit of aggregation. Leonard Mangini (American Academy of Actuaries—Academy) stressed the necessity for amendment proposal 2019-34. He said the revised ASOP 11, which will be effective for year-end 2022, requires the appointed actuary to look at all reinsurance related risks, not just credit risks.

Mr. Andersen made a motion, seconded by Mr. Yanacheak, to expose amendment proposal 2019-34 (Attachment B) for a 30-day public comment period ending June 14. The motion passed, with Mr. Sartain opposing.

3. Exposed Amendment Proposal 2021-08

Larry Bruning (Society of Actuaries—SOA) said the SOA Valuation Basic Table (VBT) Team Subgroup would like to reduce the time for gathering mortality experience used to determine whether the VBT should be updated. He said amendment proposal

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2021-08 shortens the lag between the reporting year and observation year for mortality experience from a two-year lag to a one-year lag and makes appropriate adjustments for the initial reporting year in which the amendment proposal is effective.

Mr. Carmello made a motion, seconded by Mr. Yanacheak, to expose amendment proposal 2021-08 (Attachment C) for a 21-day public comment period ending June 4. The motion passed unanimously.

Having no further business, the Life Actuarial (A) Task Force adjourned.

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Draft: 5/27/21

Life Actuarial (A) Task Force
Virtual Meeting
May 6, 2021

The Life Actuarial (A) Task Force met May 6, 2021. The following Task Force members participated: Doug Slape, Chair, represented by Mike Boerner and Rachel Hemphill (TX); Judith L. French, Vice Chair, represented by Peter Weber (OH); Lori K. Wing-Heier represented by Sharon Comstock (AK); Jim L. Ridling represented by Jennifer Li and Steve Ostlund (AL); Ricardo Lara represented by Ben Bock and Perry Kupferman (CA); Michael Conway represented by Eric Unger (CO); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Dana Popish Severinghaus represented by Bruce Sartain and Vincent Tsang (IL); Vicki Schmidt represented by Nicole Boyd (KS); Grace Arnold represented by Fred Andersen and John Robinson (MN); Chlora Lindley-Myers represented by William Leung (MO); Eric Dunning represented by Rhonda Ahrens (NE); Marlene Caride represented by Kevin Clarkson (NJ); Linda A. Lacewell represented by Bill Carmello and Amanda Fenwick (NY); Glen Mulready represented by Andrew Schallhorn (OK); Jonathan T. Pike represented by Tomasz Serbinowski (UT); Scott A. White represented by Craig Chupp (VA); and James A. Dodrill represented by Tim Sigman and Joylynn Fix (WV).

1. Re-Exposed Amendment Proposal 2019-33

Mary Bahna-Nolan (American Academy of Actuaries—Academy) continued the discussion of amendment proposal 2019-33 from the Task Force's April 29 meeting. She noted that the amendment proposal was updated to include principle-based reserving (PBR) exemption language from the previously adopted amendment proposal 2020-11.

Mr. Weber made a motion, seconded by Mr. Andersen, to expose amendment proposal 2019-33 (Attachment A) for a 30-day public comment period ending June 7. The motion passed unanimously.

2. Adopted Amendment Proposal 2021-03

Connie Tang (Academy) said amendment proposal 2021-03 updates Section 6 of VM-21, Requirements for Principle-Based Reserves for Variable Annuities, to reflect the increase of the required minimum distribution (RMD) age from 70½ to 72. She said a guidance note was added to clarify that changes in the RMD age may require recalculation of the cohort weighting.

Mr. Weber made a motion, seconded by Mr. Knable, to adopt amendment proposal 2021-03 (Attachment B). The motion passed unanimously.

3. Exposed Amendment Proposal 2021-07

David Neve (Actuarial Resources Corporation of Georgia) said amendment proposal 2021-07 clarifies the universal life policies with secondary guarantees (ULSG) net premium reserve (NPR) calculation requirements. He said the amendment proposal reorganizes Section 3.B.5 and Section 3.B.6 of VM-20, Requirements for Principle-Based Reserves for Life Products, into a single Section 3.B.5. He stressed that no requirement changes result from the reorganization. Mr. Chupp identified several references that required updates. He agreed to work with Mr. Neve to make the changes prior to exposure.

Mr. Chupp made a motion, seconded by Mr. Weber, to expose amendment proposal 2021-07 (Attachment C), including the changes identified by Mr. Chupp, for a 40-day public comment period ending June 14. The motion passed unanimously.

4. Discussed Amendment Proposal 2019-34

Mr. Robinson said amendment proposal 2019-34 (Attachment D) initially targeted reporting for modified coinsurance (mod-co) agreements. He said the amendment proposal was expanded to address reinsurance in general. He said the amendment proposal addresses the responsibilities of the appointed actuary for reinsured business. Brian Bayerle (American Council of Life Insurers—ACLI) suggested an ACLI-provided education session for the Task Force before exposing the amendment proposal for comment.

Having no further business, the Life Actuarial (A) Task Force adjourned.

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Draft: 5/21/21

Life Actuarial (A) Task Force
Virtual Meeting
April 29, 2021

The Life Actuarial (A) Task Force met April 29, 2021. The following Task Force members participated: Doug Slape, Chair, represented by Mike Boerner and Rachel Hemphill (TX); Judith L. French, Vice Chair, represented by Peter Weber (OH); Lori K. Wing-Heier represented by Sharon Comstock (AK); Jim L. Ridling represented by Jennifer Li and Steve Ostlund (AL); Ricardo Lara represented by Ben Bock, Perry Kupferman and Thomas Reedy (CA); Michael Conway represented by Eric Unger (CO); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Dana Popish Severinghaus represented by Bruce Sartain and Vincent Tsang (IL); Stephen W. Robertson represented by Karl Knable (IN); Vicki Schmidt represented by Nicole Boyd (KS); Grace Arnold represented by Fred Andersen and John Robinson (MN); Chlora Lindley-Myers represented by William Leung (MO); Eric Dunning represented by Rhonda Ahrens (NE); Marlene Caride represented by Kevin Clarkson (NJ); Linda A. Lacewell represented by Bill Carmello and Amanda Fenwick (NY); Glen Mulready represented by Andrew Schallhorn (OK); Jonathan T. Pike represented by Tomasz Serbinowski (UT); and Scott A. White represented by Craig Chupp (VA).

1. Adopted Amendment Proposal 2021-04

Brian Bayerle (American Council of Life Insurers—ACLI) said amendment proposal 2021-04 clarifies the references to Internal Revenue Code (IRC) Section 7702 in VM-02, Minimum Nonforfeiture Mortality and Interest.

Mr. Leung made a motion, seconded by Mr. Weber, to adopt amendment proposal 2021-04 (Attachment A). The motion passed unanimously.

2. Discussed Amendment Proposal 2021-01

Mr. Robinson said amendment proposal 2021-01 attempts to reduce the work required for determining the pre-reinsurance ceded reserve by eliminating the requirements for pre-reinsurance ceded exclusion tests. He said previous discussions have revealed that in certain situations, the amendment proposal could increase the work required. He said the intent of the amendment proposal is to revise the reserve requirements to reflect the qualitative nature of the pre-reinsurance ceded reserve in a manner that allows for a reduction in the work required to meet the requirements. Mr. Chupp expressed concerns about the intent of the amendment proposal. He said the amendment proposal will not significantly reduce the work required. He added that the proposed requirement is not consistent with the *Term and Universal Life Insurance Reserve Financing Model Regulation* (#787). Mr. Robinson acknowledged the inconsistency, but he noted that Model #787 is not reserve guidance. Ms. Hemphill said she is concerned that the work reduction may allow a company to forgo the pre-reinsurance stochastic reserve calculation in situations where it is greater than the pre-reinsurance deterministic and net premium reserves. Ms. Fenwick said ceding business to a reinsurer should not create an opportunity to avoid the exclusion testing. Ms. Ahrens, Ms. Fenwick, Mr. Bock and Mr. Serbinowski opposed exposing the amendment proposal. Mr. Sartain said while he is sympathetic to the issue, he would vote against exposing the amendment proposal unless industry voiced their support for it.

After his motion to expose amendment proposal 2021-01 (Attachment B) was not seconded, Mr. Robinson withdrew the amendment proposal.

3. Discussed Amendment Proposal 2019-33

Mary Bahna-Nolan (Academy Life Reserves Work Group—LRWG) said the comments received for the previous exposure of amendment proposal 2019-33 (Attachment C) were focused on correcting referencing and formatting issues. She briefly discussed the revisions made to the amendment proposal in response to the comment letters received after the previous exposure. Discussion of the amendment proposal will continue May 6.

Having no further business, the Life Actuarial (A) Task Force adjourned.

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Draft: 5/5/21

Life Actuarial (A) Task Force
Virtual Meeting
April 22, 2021

The Life Actuarial (A) Task Force met April 22, 2021. The following Task Force members participated: Doug Slape, Chair, represented by Mike Boerner and Rachel Hemphill (TX); Judith L. French, Vice Chair, represented by Peter Weber (OH); Lori K. Wing-Heier represented by Sharon Comstock (AK); Jim L. Ridling represented by Jennifer Li and Steve Ostlund (AL); Ricardo Lara represented by Ben Bock and Perry Kupferman (CA); Michael Conway represented by Eric Unger (CO); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Dana Popish Severinghaus represented by Bruce Sartain and Vincent Tsang (IL); Vicki Schmidt represented by Nicole Boyd (KS); Grace Arnold represented by Fred Andersen and John Robinson (MN); Chlora Lindley-Myers represented by William Leung (MO); Eric Dunning represented by Rhonda Ahrens (NE); Marlene Caride represented by Kevin Clarkson (NJ); Linda A. Lacewell represented by Bill Carmello and Amanda Fenwick (NY); Glen Mulready represented by Andrew Schallhorn (OK); Jonathan T. Pike represented by Tomasz Serbinowski (UT); Scott A. White represented by Craig Chupp (VA); and James A. Dodrill represented by Tim Sigman and Joylynn Fix (WV).

1. Exposed Amendment Proposal 2021-05

David Neve (Actuarial Resources Corporation of Georgia) said amendment proposal 2021-05 asserts that the term "modeled company investment strategy" is preferred to "model investment strategy," and it seeks to use the former term consistently throughout the *Valuation Manual*. He said the proposal also clarifies that "modeled company investment strategy" refers to the investment strategy in the model prior to comparison to the alternative investment strategy. Additionally, the proposal modifies VM-21, Requirements for Principle-Based Reserves for Variable Annuities, to be consistent with the wording in VM-20, Requirements for Principle-Based Reserves for Life Products, clarifying that the assets in the alternative investment strategy should use the same weighted average life (WAL) as the assets in the modeled company investment strategy.

Mr. Leung made a motion, seconded by Mr. Kupferman, to expose amendment proposal 2021-05 (Attachment A) for a 21-day public comment period ending May 12. The motion passed unanimously.

2. Exposed Amendment Proposal 2021-06

Angela McNabb (NAIC) said amendment proposal 2021-06 revises VM-50, Experience Reporting Requirements, and VM-51, Experience Reporting Formats, to allow reinsurers and third-party administrators (TPAs) to submit mortality experience data on behalf of the direct writing company, and it revises VM-51 to remove a column that is not valid for the Regulatory Data Collection (RDC) system from the required data format.

Mr. Leung asked if there might be reinsurers or TPAs that are foreign entities without an NAIC company code. Pat Allison (NAIC) said foreign companies should contact the NAIC for assignment of a company code.

Mr. Weber made a motion, seconded by Mr. Leung, to expose amendment proposal 2021-06 (Attachment B) for a 30-day public comment period ending May 21. The motion passed unanimously.

3. Discussed Amendment Proposal 2021-01

Mr. Robinson said amendment proposal 2021-01 attempts to reduce the work required for determining the pre-reinsurance ceded reserve by eliminating the requirements for separate pre-reinsurance ceded exclusion tests and asset collar considerations. Ms. Fenwick asked if the proposal allows companies to use reinsurance to avoid having to calculate a stochastic reserve. She indicated that she is opposed to the proposal for that reason. Discussion of amendment proposal 2021-01 (Attachment C) will continue at the Task Force's April 29 meeting.

Having no further business, the Life Actuarial (A) Task Force adjourned.

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Agenda Item 1 (Continued)

Consider Adoption of Subgroup Reports

August 12, 2021

From: Pete Weber, Chair
The Index-Linked Variable Annuity (A) Subgroup

To: Mike Boerner, Chair
The Life Actuarial (A) Task Force

Subject: The Report of the Index-Linked Variable Annuity (A) Subgroup to the Life Actuarial (A) Task Force

The first call of the newly formed Index-Linked Variable Annuity (A) Subgroup was held June 15th. On that call, the Subgroup discussed preparing a document listing potential options for ILVA interim value guidance, along with the pros and cons of each. The goal is then to identify the optimal approach and develop into a recommendation to LATF. Additional, periodic calls are expected to continue into the fall with the goal of presenting a recommendation to LATF at the Fall National Meeting.

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Draft: 7/26/21

Index-Linked Variable Annuity (A) Subgroup
Virtual Meeting
July 15, 2021

The Index-Linked Variable Annuity (A) Subgroup of the Life Actuarial (A) Task Force met July 15, 2021. The following Subgroup members participated: Pete Weber, Chair (OH); Tomasz Serbinowski, Vice Chair (UT); Sarvjit Samra (CA); Rhonda Ahrens (NE); Kevin Clarkson (NJ); William Carmello and Michael Cebula (NY); Rachel Hemphill, Mengting Kim, and John Carter (TX); and Craig Chupp (VA). Also participating were: Fred Andersen (MN); and David Hippen (WA).

1. Discussed Establishing Interim Values for Index-Linked Variable Annuities

Mr. Weber said the Subgroup is charged to: "Provide recommendations and changes, as appropriate, to nonforfeiture, or interim value requirements related to index-linked variable annuities." He said the Subgroup is to address the issue of certain non-variable products being filed as variable annuities, therefore exempting them from the *Standard Nonforfeiture Law for Individual Deferred Annuities* (#805). He said the *Variable Annuity Model Regulation* (#250) defines a variable annuity as "a policy or contract that provides for annuity benefits that vary according to the investment experience of a separate account or accounts maintained by the insurer as to the policy or contract." He said the benefits of index-linked variable annuities (ILVAs) do not vary according to the investment experience of a separate account.

Ms. Ahrens said that there may be ILVA (also known as registered index-linked annuities [RILAs]) products where the performance attempts to mimic the index. She said the Nebraska Department of Insurance (DOI) asks companies to provide information on the funding of the separate account and the relationship of the separate account to the index. She said solely being registered with the U.S. Securities and Exchange Commission (SEC) is not a sufficient criterion for acceptance as variable product under the Nebraska insurance statutes.

Mr. Clarkson said there are existing ILVA products that are regulated as variable annuities. He said the goal should be to apply existing rules to the regulation of these products.

Mr. Serbinowski suggested developing a document that states the issue and proposes options for addressing it. He said possible options are to: 1) amend Model #805; 2) provide guidance on what constitutes a variable product; or 3) do nothing. He said the document could then be sent to the Life Actuarial (A) Task Force for consideration.

Mr. Hippen provided his perspective on the history of the SEC and NAIC tug-of-war on variable products. He said that history has led to NAIC reluctance to take a strong stand on the development of models for variable products that might conflict with SEC regulations. Mr. Serbinowski said that the states should not avoid regulation of a product merely because the product is registered with the SEC. Mr. Weber noted that consistent regulation across states is a necessity. Mr. Hippen said that states have modified their variable product regulations over the years, so there is currently very little state uniformity.

Mr. Andersen said he reviewed ILVA product filings when the product was initially developed. He listed concepts that were considered in determining how the product should be placed:

1) Does the product fit appropriately with other annuities and financial products on the risk/return spectrum?
2) Is there evidence that customers understand the downside risk associated with the product?
3) Can a state insurance regulator disapprove unreasonable products?
4) Will stricter regulations be detrimental to consumers?

Mr. Serbinowski suggested drafting a document that lays out the situation and possible outcomes so that feedback can be solicited from state insurance regulators and industry. He said the Subgroup can present the Task Force with multiple options from which to choose. He said the options might be to: 1) do nothing; 2) develop an actuarial guideline; 3) revise Model #805; or 4) revise Model #250. Mr. Clarkson said that if the Subgroup decides that doing nothing is the appropriate course of action, it should document the details leading to the decision. Mr. Serbinowski said it will be important to provide the pros and cons for all the options. Mr. Carmello suggested starting with existing regulations from a state or the Interstate Insurance Product Regulation Commission (Compact). Mr. Weber said that is a viable option. Ms. Ahrens said the Subgroup could possibly start

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with an existing process that could be converted into a guideline. Mr. Weber said Subgroup members will initiate efforts to follow through on the development of potential options.

Having no further business, the Index-Linked Variable Annuity (A) Subgroup adjourned.

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August 12, 2021

From: Rhonda Ahrens, Chair
Longevity Risk (E/A) Subgroup

To: Mike Boerner, Chair
The Life Actuarial (A) Task Force

Subject: The Report of Longevity Risk (E/A) Subgroup to the Life Actuarial (A) Task Force

The Longevity Risk (E/A) Subgroup has not met since the Spring National Meeting. A Drafting Group has been formed to contemplate reserve requirements related to pension risk transfer (PRT) and longevity reinsurance (LR) transactions that are more specific to the PRT reserves and are not solely related to the longevity component. The Subgroup will reconsider C-2 RBC for PRT products or LR transactions after reviewing the Drafting Group's recommendations for resolution of identified issues. The Subgroup Chair has had communication with the Academy of Actuaries Longevity Risk Task Force to ensure that the Task Force is aware of Subgroup needs and able to provide guidance as requested for the upcoming recommendations from the Drafting Group and VM-22 (A) Subgroup.

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August 12, 2021

From: Rhonda Ahrens, Chair
Guaranteed Issue (GI) Life Valuation (A) Subgroup

To: Mike Boerner, Chair
The Life Actuarial (A) Task Force

Subject: The Report of Guaranteed Issue (GI) Life Valuation (A) Subgroup to the Life Actuarial (A) Task Force

The Guaranteed Issue (GI) Life Valuation (A) Subgroup has not met since the Spring National Meeting and may meet prior to the Winter National Meeting depending on availability of subgroup members or their concerns. Otherwise, it is in a dormant/monitoring mode given that there have been no new known studies of GI Life mortality that could prove useful in formulating a new prescriptive requirement for the reserves for GI Life products. One direction the subgroup could go is to continue consideration of how to adopt the GI Life table but require companies with credible experience to use a credibility weighted mortality whether their experience is lower or higher than the table.

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August 12, 2021

From: Fred Andersen, Chair
The Experience Reporting (A) Subgroup

To: Mike Boerner, Chair
The Life Actuarial (A) Task Force

Subject: The Report of the Experience Reporting (A) Subgroup to the Life Actuarial (A) Task Force

The Experience Reporting (A) Subgroup has not met since the Spring National Meeting. Upcoming projects include monitoring the plans for collecting life insurance mortality and policyholder behavior data using the NAIC as the statistical agent, starting to develop mandatory reporting of variable annuity data, and continuing to work on evaluating actuarial aspects of accelerated underwriting.

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August 12, 2021

From: Fred Andersen, Chair
The Indexed Universal Life (IUL) Illustration (A) Subgroup

To: Mike Boerner, Chair
The Life Actuarial (A) Task Force

Subject: The Report of the Indexed Universal Life (A) Subgroup to the Life Actuarial (A) Task Force

The Indexed Universal Life Illustration (A) Subgroup has not met since the Spring National Meeting. Research is being conducted on market developments following the adoption of *Actuarial Guideline XLIX-A, The Application of the Life Illustrations Model Regulation to Policies with Index-Based Interest Sold On or After November 25, 2020* (AG 49-A). It is expected that a Subgroup call will be scheduled to present findings related to the research prior to the Fall National Meeting.

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Agenda Item 2

Consider Adoption of the Valuation Manual (VM)-22 (A) Subgroup Report

Draft: 5/17/21

Valuation Manual (VM)-22 (A) Subgroup
Virtual Meeting
April 21, 2021

The VM-22 (A) Subgroup of the Life Actuarial (A) Task Force met April 21, 2021. The following Subgroup members participated: Bruce Sartain, Chair, and Vincent Tsang (IL); Ted Chang, Ahmad Kamil, Elaine Lam and Thomas Reedy (CA); Lei Rao-Knight (CT); Mike Yanacheak (IA); Nicole Boyd (KS); William Leung (MO); Rhonda Ahrens (NE); Seong-min Eom (NJ); Anna Krylova (NM); Bill Carmello and Amanda Fenwick (NY); Rachel Hemphill and Karen Jiang (TX); and Craig Chupp (VA).

1. Tabled a Motion to Retain the VM-20 Integrated Risk Management Language

Mr. Sartain recapped the March 17 Subgroup discussion on whether to retain the language in Section 5A of VM-20, Requirements for Principle-Based Reserves for Life Products, that allows for the aggregation of products with significantly different risk profiles if the products are managed as part of an integrated risk management process. He said the Subgroup discussed that reviews of VM-20 principle-based reserving (PBR) actuarial reports indicate that most companies feel they have integrated risk management processes and have used full aggregation within reserve categories. He recalled that Subgroup members differed on whether the Section 5A language is currently able to address their aggregation concerns or if language improvement is required. Ms. Hemphill, Mr. Carmello and Ms. Ahrens volunteered to work on improvements to the Section 5A integrated risk management process language.

Mr. Sartain said a previous straw vote to decide whether the standard projection amount (SPA) should be a floor or disclosure item was taken during the March 17 discussion. Ms. Ahrens said given that the uncertainty of how widely the stochastic results may vary makes it difficult to consider a standard projection or floor, it is too early to decide. She suggested deferring the SPA decision until after the field test, while proceeding with the decision to have two reserve categories. Mr. Leung said it will be difficult to determine the SPA without understanding critical policyholder behaviors. He said the Subgroup should consider retaining the cash value floor. Mr. Sartain noted that an SPA drafting group is working on defining policyholder behavior characteristics. Mr. Carmello said he favors using the Commissioners Annuity Reserve Valuation Method (CARVM) as the floor. The Subgroup agreed to wait until the field test is complete before determining the purpose and use of the SPA.

Mr. Sartain discussed the straw vote that resulted in the Subgroup deciding to use two reserving categories: one category for payout annuities and another for deferred annuities. He said more thought must be given to assigning specific products to the two risk categories. He said products like deferred income annuities (DIAs) and deferred annuities with a guaranteed minimum withdrawal benefit (GMWB) that have been exercised but still have remaining cash value are not easily categorized. Mr. Carmello said the risk category distinction should be based on whether the product has a cash value. He acknowledged that multiple categories may be required for deferred annuities, including a separate category for equity-indexed annuities. Ben Slutsker (American Academy of Actuaries—Academy) said DIAs are similar to single premium immediate annuities (SPIAs) with the payments commencing at a set date in the future. He said DIAs have no account value, but they might have a return of premium or hardship return option available during the deferral period. He said those options are infrequently elected. Mr. Sartain said the DIA seems to fit into the payout annuity category. Mr. Chang asked where structured settlements would fit. Mr. Slutsker said there are a variety of structured settlement products, so the response requires some thought. Mr. Leung said the product list in VM-22, Statutory Maximum Valuation Interest Rates for Income Annuities, might be a good starting point for determining which products fit into the reserve categories. Mr. Slutsker said using that approach still leaves questions of how the products should be treated during any transition periods. Mr. Leung and Mr. Chupp volunteered to develop definitions for payout annuities.

Having no further business, the VM-22 (A) Subgroup adjourned.

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Draft: 5/17/21

Valuation Manual (VM)-22 (A) Subgroup
Virtual Meeting
April 28, 2021

The VM-22 (A) Subgroup of the Life Actuarial (A) Task Force met April 28, 2021. The following Subgroup members participated: Bruce Sartain, Chair, and Vincent Tsang (IL); Ted Chang, Ahmad Kamil, Elaine Lam and Thomas Reedy (CA); Lei Rao-Knight (CT); Nicole Boyd (KS); William Leung (MO); Rhonda Ahrens (NE); Seong-min Eom (NJ); Bill Carmello and Amanda Fenwick (NY); Rachel Hemphill and Karen Jiang (TX); Tomasz Serbinowski (UT); and Craig Chupp (VA).

1. Discussed the Academy ARCWG Preliminary Framework

Chris Conrad (American Academy of Actuaries—Academy) said in its Preliminary Framework recommendation from the Subgroup's April 21 minutes, the Academy Annuities Reserve and Capital Work Group (ARCWG) has proposed that VM-22, Statutory Maximum Valuation Interest Rates for Income Annuities, should use the same mortality methodology as VM-21, Requirements for Principle-Based Reserves for Variable Annuities. He said the methodology includes using prudent estimate mortality, with mortality improvement reflected using the G-2 scale. Ms. Hemphill said the Texas Department of Insurance (TDI) comment letter from the Subgroup's April 21 minutes questioned the use of the term "unsupported judgment," asked what mortality basis is appropriate for international lives, and asked how many years of mortality improvement will be used. Mr. Sartain said either the Pension Risk Transfer (PRT) Mortality Drafting Group or the Standard Projection Amount (SPA) Drafting Group can pursue the issue of the mortality basis for international lives. Mr. Conrad reiterated that the ARCWG's current approach is to be consistent with VM-21 on the issues of mortality basis and mortality improvement. Ms. Hemphill said there may be other resources more appropriate than VM-21. She said VM-20, Requirements for Principle-Based Reserves for Life Products, Section 9.C.3.b provides flexibility to identify appropriate tables on a case-by-case basis. Paul S. Graham (American Council of Life Insurers—ACLI) said the mortality-related comments in the ACLI comment letter from the Subgroup's April 21 minutes aligns with the TDI comments.

Mr. Conrad said the ARCWG policyholder behavior recommendations are also consistent with VM-21. Ms. Hemphill said VM-20 and VM-21 take different approaches to margin setting. She suggested re-evaluating the two approaches to determine a "best" version that could then be used for VM-20, VM-21 and VM-22. She noted that reporting requirements should include showing the impact of margins and actual-to-expected ratios. Mr. Sartain said he will add the comments to an issues list, but he does not believe the drafting group is responsible for harmonizing the VM-20, VM-21 and VM-22.

Mr. Conrad said the ARCWG non-guaranteed elements recommendation is for VM-22 to be consistent with VM-20. Ms. Hemphill suggested that VM-22 should explicitly indicate that company policies and past actions should be reflected in the development of non-guaranteed elements. She said this issue should be added to the issues list.

Mr. Conrad said the ARCWG recommends that policy loans assumptions should be consistent with VM-20, while expenses and account transfers should be consistent with VM-21. He said joint payouts and supplemental benefits should be reserved for using reasonable methods. Ms. Hemphill said whatever reasonable methods are developed for VM-22 should also be applied to VM-21. Mr. Conrad said the ARCWG recommends that the treatment of reinsurance should follow the VM-21 requirements.

Ms. Hemphill said the ARCWG approach to reflecting risk in moderately adverse conditions is fundamentally different from the principle-based reserving (PBR) for economic scenarios. She said the treatment of tail risks in stochastic modeling should ensure that the risks that are deeper in the tail are being appropriately considered.

Having no further business, the VM-22 (A) Subgroup adjourned.

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Draft: 5/17/21

Valuation Manual (VM)-22 (A) Subgroup
Virtual Meeting
May 5, 2021

The VM-22 (A) Subgroup of the Life Actuarial (A) Task Force met May 5, 2021. The following Subgroup members participated: Bruce Sartain, Chair, and Vincent Tsang (IL); Ted Chang, Ahmad Kamil, Elaine Lam and Thomas Reedy (CA); Lei Rao-Knight (CT); Nicole Boyd (KS); William Leung (MO); Rhonda Ahrens (NE); Seong-min Eom (NJ); Bill Carmello and Amanda Fenwick (NY); Rachel Hemphill and Karen Jiang (TX); and Craig Chupp (VA).

1. Discussed the Academy ARCWG Preliminary Framework

Chris Conrad (American Academy of Actuaries—Academy) said in its Preliminary Framework recommendation from the Subgroup's April 21 minutes, the Academy Annuities Reserve and Capital Work Group (ARCWG) has proposed that the fixed annuity hedging requirements be consistent with VM-21, Requirements for Principle-Based Reserves for Variable Annuities, with the exception that: 1) all future hedging programs tied directly to contracts should be modeled, regardless of whether the hedging program is considered a clearly defined hedging strategy (CDHS); and 2) indexed credits should be allowed to be modeled under an alternative methodology that reflects the hedge breakage expense in the 70% conditional tail expectation (CTE70) best efforts by reducing hedge payoffs relative to modeled index credits through the use of an effectiveness multiple. He said an adjusted CTE70 run will not be required. He said the ARCWG supports the exceptions because hedging programs on indexed credits typically have lower basis risk and are more effective.

Ms. Hemphill said the Texas Department of Insurance (TDI) comment letter from the Subgroup's April 21 minutes points out that the CDHS concept is necessary in cases where reserves or total asset requirement (TAR) is materially reduced. She said the CDHS requirements, which are documentation requirements, demonstrate that the hedging program is robust and therefore reliable. Mr. Sartain said requiring a CDHS if the modeling decreases the reserve seems to be a reasonable principle-based approach. Brian Bayerle (American Council of Life Insurers—ACLI) said there are other considerations around the modeling of hedges, such as the overhead related to running scenarios. He suggested a survey to understand the landscape of the existing hedge programs and why some of those programs may not conform to CDHS requirements. Mr. Sartain said the issue is broader than what the Subgroup is addressing, and it should be resolved at the Task Force level.

Ms. Hemphill asked how the variability in company expense levels will be reflected in the proposed modeling approach. Ben Slutsker (Academy) said the expenses are included in the cash flows. He said the hedge breakage expense can be viewed as a risk charge. Ms. Hemphill asked if the modeling approach truly reflects both the company's typical back-testing error and modeling error. Mr. Slutsker confirmed that the total error is being reflected. He said a field test would be helpful in determining a minimum hedge breakage expense. Ms. Hemphill said the hedge modeling approach adopted for fixed annuities should also be considered for VM-20, Requirements for Principle-Based Reserves for Life Products. Mr. Bayerle said the ACLI believes that any modeling simplification should be optional.

Mr. Conrad said the ARCWG believes the hedging cost scope and documentation should be consistent with VM-21.

Having no further business, the VM-22 (A) Subgroup adjourned.

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Draft: 6/22/21

Valuation Manual (VM)-22 (A) Subgroup
Virtual Meeting
May 12, 2021

The VM-22 (A) Subgroup of the Life Actuarial (A) Task Force met May 12, 2021. The following Subgroup members participated: Bruce Sartain, Chair, and Vincent Tsang (IL); Ted Chang, Ahmad Kamil, Elaine Lam and Thomas Reedy (CA); Lei Rao-Knight (CT); Mike Yanacheak (IA); Nicole Boyd (KS); William Leung (MO); Rhonda Ahrens (NE); Seong-min Eom (NJ); Bill Carmello and Amanda Fenwick (NY); Rachel Hemphill and Karen Jiang (TX); Tomasz Serbinowski (UT); and Craig Chupp (VA).

1. Discussed the Definition of Reserve Categories

Mr. Chupp said a drafting group is proposing definitions for the two reserve categories voted on by the VM-22 (A) Subgroup for non-variable annuities. The proposal defines a payout annuity category and a yet to be named category covering all products that do not meet the payout annuity definition. He said the payout annuity category definition (Attachment 1) has two requirements: 1) the policy must have fixed payment streams that are affected only by death; and 2) the policyholder is not permitted to deposit additional funds or withdraw funds. He said the definition allows a deferred policy to be moved to the payout annuity category at the commencement of annuitization, assuming the policy meets the two payout category requirements. He noted that the Subgroup could also consider options that would either lock in the definition of the contract at the time of issue or allow a principle-based approach for defining the contract.

Cindy Barnard (Pacific Life) asked if the payout annuity definition includes deferred income annuities (DIAs) that allow for additional premiums after issue. Mr. Carmello said those products should be considered payout annuities and that the distinguishing feature should be whether there is a disintermediation issue. Mr. Leung said the intent of the drafting group was to develop a strict definition that the Subgroup could adjust as needed to reflect optionality. Ben Slutsker (American Academy of Actuaries—Academy) said the Academy view is that some level of materiality should be considered when attempting to reflect optionality.

Ms. Barnard said asked if a pension risk transfer (PRT) contract without a fixed annuitization date fits into the deferred or payout category. Mr. Chupp responded that if the payout amount is scheduled, and there is no account value, the contract would be considered a payout annuity. Ms. Barnard asked if a cash refund annuity with a cash withdrawal option would be considered a payout annuity. Mr. Leung said the drafting group definition is intended to exclude hardship withdrawals. He said that the Subgroup could expand the definition if needed.

Mr. Yanacheak said differentiating categories based on disintermediation risk makes sense. He said it is difficult to determine whether disintermediation risk should be the lone differentiation criterion without seeing the reserve methodology. He said an essential aspect of the reserving category decision is whether a policy moving from one category to the other can make that transition smoothly. He suggested that the Subgroup should be sure to consider the treatment for contingent deferred annuities (CDAs) when discussing product optionality.

2. Discussed the Deviations from VM-21 Document

Mr. Slutsker said the Academy's preliminary framework recommendation is based on VM-21, Requirements for Principle-Based Reserves for Variable Annuities, with revisions to address the fixed annuity framework. He said the fixed annuity principle-based reserving (PBR) deviations from the VM-21 document (Attachment 2), provided in response to a Subgroup member request, delineate the VM-21 requirements that the Academy proposes to change to appropriately reserve for fixed annuities.

Having no further business, the VM-22 (A) Subgroup adjourned.

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Draft: 8/4/21

Valuation Manual (VM)-22 (A) Subgroup
Virtual Meeting
May 26, 2021

The VM-22 (A) Subgroup of the Life Actuarial (A) Task Force met May 26, 2021. The following Subgroup members participated: Bruce Sartain, Chair, and Vincent Tsang (IL); Ted Chang, Ahmad Kamil, Elaine Lam and Thomas Reedy (CA); Lei Rao-Knight (CT); Mike Yanacheak (IA); Nicole Boyd (KS); William Leung (MO); Rhonda Ahrens (NE); Seong-min Eom (NJ); Bill Carmello and Amanda Fenwick (NY); Rachel Hemphill and Karen Jiang (TX); Tomasz Serbinowski (UT); and Craig Chupp (VA).

1. Discussed Materiality Standards

Ms. Hemphill said VM-20, Requirements for Principle-Based Reserves for Life Products, has a section that specifically requires materiality standards and a section that specifically authorizes the use of simplifications and approximation. She said VM-21, Requirements for Principle-Based Reserves for Variable Annuities, does not discuss those items. She said that an amendment proposal that adds materiality standards and allows simplifications and approximations to VM-21 has been submitted to the Life Actuarial (A) Task Force. She said the VM-22, Statutory Maximum Valuation Interest Rate for Income Annuities, revisions should mirror those requirements. Ben Slutsker (American Academy of Actuaries—Academy) suggested that might be a topic more for the Subgroup that the Academy could react to if desired. Cindy Barnard (Pacific Life) asked if materiality should be addressed at the *Valuation Manual* level, instead of addressing it separately in VM-20, VM-21, and VM-22. Mr. Sartain said that will be added to the issues list and could be discussed after amendment proposal 2020-09 is decided on for VM-21.

2. Discussed Aggregation Language

Mr. Sartain said Subgroup discussions have yielded three options for addressing aggregation in VM-22. The first option is to carry over the language from VM-20 Section 5.A verbatim. The second option is to modify the VM-20 language for VM-22 products. The third option is to remove the language from the fixed annuity framework recommendation. Ms. Hemphill discussed the draft document (Attachment One) with the details of the original language and two options with revised language. She said the drafting group that worked on the language was split over option one and option two. Mr. Sartain said that the guidance note seems to define additional reserve categories. He asked if consideration was given to incorporating the guidance note into the body of option one. Mr. Carmello agreed that the guidance note should be worked into the body and that essentially, the Subgroup is talking about reserve categories. Mr. Slutsker said the Academy believes that both options obstruct the objective of principle-based reserving (PBR). He said the reserves should be tied to the anticipated economics of the policy and have an explicit margin added for conservatism. He said the option one approach results in a margin that is unintuitive instead of explicit. He said the prescriptive approach in the options may result in attempts to develop workarounds. He said the Academy prefers the original language. Mr. Serbinowski agreed, saying the options may discourage companies from appropriately managing economic risks. Ms. Hemphill agreed that a single risk category would be the best solution but said that the original language adds no value to the reserve determination process. She recommended removing the original language. Mr. Sartain raised the possibility of revoting to determine the number of reserve categories for VM-22.

Having no further business, the VM-22 (A) Subgroup adjourned.

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Valuation Manual (VM)-22 (A) Subgroup
Virtual Meeting
June 16, 2021

The VM-22 (A) Subgroup of the Life Actuarial (A) Task Force met June 16, 2021. The following Subgroup members participated: Bruce Sartain, Chair, and Vincent Tsang (IL); Ted Chang, Ahmad Kamil, Elaine Lam, and Thomas Reedy (CA); Lei Rao-Knight (CT); Mike Yanacheak (IA); Nicole Boyd (KS); William Leung (MO); Rhonda Ahrens (NE); Seong-min Eom (NJ); Bill Carmello and Amanda Fenwick (NY); Rachel Hemphill and Karen Jiang (TX); Tomasz Serbinowski (UT); and Craig Chupp (VA). Also participating was: John Robinson (MN).

1. Discussed Reserve Category Definitions

Mr. Sartain said two options for reserve category definitions were discussed by a small drafting group. He said one option is prescriptive and the other is principle-based. He said Mr. Leung has proposed a third option, which uses the VM-22, Statutory Maximum Valuation Interest Rate for Income Annuities, product descriptions. Mr. Chupp presented the prescriptive option (Attachment One), which recommends a list of definitive characteristics a fixed annuity must meet to be considered for the payout reserve category and suggests that any fixed annuity that does not fit into the payout category be assigned to the accumulation category. He said consideration was given to defining the accumulation category in accordance with the deferred annuity definition in *Statement of Statutory Accounting Principles (SSAP) No. 50—Classifications of Insurance and Managed Care Contracts* and categorizing fixed annuities that are unable to meet the definition as payout annuities. He said that direction was not chosen because the SSAP definition seemed applicable only to traditional deferred annuities and would not capture current products such as annuities with guaranteed minimum withdrawal benefits (GMWBs). He said the drafting group considered using the VM-22 product descriptions, but it decided to go in this other direction; although, the Subgroup may ultimately decide to expose the VM-22 product descriptions. Mr. Carmello suggested that the reference to guaranteed payments in payout category criteria 1.b. be changed to certain payments to differentiate it from life contingent payments, which are also guaranteed. Mr. Robinson suggested changing the word "and" in criteria 1.a. to the word "or." He also suggested that criteria 1.a. be worded to include both level and non-level payments that are predetermined.

Mr. Serbinowski suggested consideration of the principle-based risk categories approach. Mr. Sartain said the principle-based option (Attachment Two) is designed to avoid risk offsets between disintermediation and reinvestment risks. He said the approach leaves the company to decide how to measure the disintermediation risk and reinvestment risk and how policies are to be grouped. He stressed that documentation of the company's risk measurement and grouping decisions should be required. Ben Slutsker (American Academy of Actuaries—Academy) said information on how companies currently treat disintermediation risk and reinvestment risk within their risk management programs may be helpful in establishing the principle-based risk categories approach. He said the general feedback from the Academy on the prescriptive approach mirrors the concerns of some Subgroup members. He said the Academy prefers the principle-based approach. He said if the Subgroup prefers a prescriptive approach, more consideration should be given to the VM-22 product description option, as that is more like the VM-20, Requirements for Principle-Based Reserves for Life Products, approach. Mr. Sartain said based on the feedback from the Subgroup and the Academy, the prescriptive approach may be eliminated from consideration. Ms. Ahrens said the risk category discussions seem to have excluded consideration of the mortality risk inherent in fixed annuity products. Mr. Slutsker responded that the Academy fixed annuity framework considers longevity risk as part of exclusion testing.

Having no further business, the VM-22 (A) Subgroup adjourned.

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Draft: 8/5/21

Valuation Manual (VM)-22 (A) Subgroup
Virtual Meeting
June 30, 2021

The VM-22 (A) Subgroup of the Life Actuarial (A) Task Force met June 30, 2021. The following Subgroup members participated: Bruce Sartain, Chair, and Vincent Tsang (IL); Ted Chang, Ahmad Kamil, Elaine Lam, and Thomas Reedy (CA); Lei Rao-Knight (CT); Nicole Boyd (KS); William Leung (MO); Seong-min Eom (NJ); Bill Carmello and Amanda Fenwick (NY); Rachel Hemphill and Karen Jiang (TX); and Craig Chupp (VA).

1. Discussed VM-20 Section 5.A Language

Mr. Sartain said in a previous discussion of Section 5.A of VM-20, Requirements for Principle-Based Reserves for Life Products, Subgroup members shared views that ranged from desiring more than two reserve categories to desiring a single reserve category. He said the Subgroup ultimately voted to have two reserve categories. He suggested proceeding with the development of an exposure that proceeds with the implementation of two reserve categories.

2. Heard a PRT Drafting Group Update

Ms. Eom said the Pension Risk Transfer (PRT) Drafting Group was formed to review the appropriateness of the mortality tables currently used for PRT mortality. She said the table used most often is the 1994 Group Annuity Reserving (GAR) table. She said PRT mortality experience differs from the mortality experience generally observed in annuity populations. She noted that some PRT contracts cover populations outside of the U.S. She said the drafting group held regulator-only sessions to discuss marketing and contract information requested from companies in the PRT market. She said the drafting group hopes to recommend an approach that will serve as a guideline during the development of VM-22, Statutory Maximum Valuation Interest Rate for Income Annuities, and it will provide a good linkage to the VM-22 standard projection amount. She said the drafting group is continuing to receive and analyze company data.

3. Discussed the VM-22 Field Test

Mr. Sartain said the American Academy of Actuaries (Academy) is spearheading the planning for a VM-22 field test. He said the timing of the field test is contingent upon the timing of the Life Actuarial (A) Task Force economic scenario generator (ESG) field test. Chris Conrad (Academy) discussed the details of the draft of the fixed annuity principle-based reserving (PBR) field test specifications (Attachment One). He said the company participation portion of the field test is scheduled for May through September of 2022. Pat Allison (NAIC) said the NAIC will participate in the selection of a consultant to lead the field test and will pay a portion of the consulting costs. She said the NAIC will work with state insurance regulators to encourage company participation in the field test and will monitor company involvement. She said the NAIC will also review the consolidation of field test results and assist with the presentation of those results. Mr. Conrad said the structure of the VM-22 field test will be like the yearly renewable term (YRT) field test. He said both payout and deferred annuities will be included in the field test.

Having no further business, the VM-22 (A) Subgroup adjourned.

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Draft: 8/5/21

Valuation Manual (VM)-22 (A) Subgroup
Virtual Meeting
July 7, 2021

The VM-22 (A) Subgroup of the Life Actuarial (A) Task Force met July 7, 2021. The following Subgroup members participated: Bruce Sartain, Chair, and Vincent Tsang (IL); Ted Chang, Ahmad Kamil, Elaine Lam, and Thomas Reedy (CA); Lei Rao-Knight (CT); Mike Yanacheak (IA); Nicole Boyd (KS); William Leung (MO); Rhonda Ahrens (NE); Seong-min Eom (NJ); Bill Carmello and Amanda Fenwick (NY); Rachel Hemphill and Karen Jiang (TX); Tomasz Serbinowski (UT); and Craig Chupp (VA). Also participating was: John Robinson (MN).

1. Discussed Reserving Categories

Mr. Sartain said the Subgroup has agreed to consider the existing VM-22, Statutory Maximum Valuation Interest Rate for Income Annuities, product descriptions as an alternative to the prescriptive option proposed previously. He said the Subgroup also agreed to consider exploring modifications to the principle-based option for defining reserving categories. He said the Subgroup should determine which approach is preferred or if both approaches should be exposed for public comment.

Mr. Leung discussed the proposed modifications (Attachment One) to the VM-22 product descriptions. He recommended replacing the term "benefits provided by variable annuities" with the term "payment streams arising from variable annuities." He said the former term would cause supplementary contract payments arising from variable annuity contracts to automatically fall out of the payout reserving category; therefore, he recommended using the latter term. He said the effective date of the VM-22 revisions will make the current references to Dec. 31, 2017, in the descriptions unnecessary. He recommended that fixed income payments from contingent deferred annuities (CDAs) should be treated as variable annuities and should not be included in the scope of VM-22. He noted that pension risk transfer (PRT) business is added. Brian Bayerle (American Council of Life Insurers—ACLI) asked what considerations led to the decision to add PRT business, given that the reserve would also have to be included for active lives. Mr. Leung responded that fixed payment streams from PRT contracts are included only after the payment is determined. Mr. Bayerle said that would require bifurcation of the PRT contract into lives in payout and active lives. Mr. Sartain said perhaps a principle-based approach could be used to bifurcate the risks. Mr. Robinson said the Subgroup discussed a similar issue related to payouts under non-variable group annuity contracts. He suggested that the use of the broad reference to "other fixed payment streams such as those under PRT business" might lead to confusion because the term is ambiguous and is not defined in the *Valuation Manual*. Mr. Sartain suggested removing the ambiguity by removing the reference to anything other than PRT business and providing a definition of PRT business in the *Valuation Manual.* Ms. Eom suggested that the modification should avoid using the term "fixed payment streams." She agreed to think about alternative wording.

Mr. Sartain said the principle-based option for reserving categories (Attachment Two) was also modified. He said the concept of supporting assets was brought into the definition to coincide with the reference to disintermediation risk. He said the definition of the payout reserving category was enhanced by adding a reference to longevity risk. He said the accumulation reserving category was improved by adding the risks associated with policyholder behavior. He said the risk category is to be determined based on the risks identified at the time of issue. He noted that the risk category determination under the principle-based approach must be made without consideration of its impact on the reserve amount. Mr. Bayerle said determining at the valuation date lends itself to the possibility of drifting away from the intent over time. Mr. Serbinowski asked if the approach would require that the determination be static after being made at the time of issue. Mr. Sartain said it is intended to be static. Mr. Serbinowski said making the determination on the valuation date would seem to allow the most flexibility to adapt to changing circumstances.

Mr. Sartain said modifications will be made to both approaches for consideration on the next call. He said the modifications will include changing form issue date back to valuation date. He said the goal is to expose the documents and the American Academy of Actuaries' (Academy's) revised fixed annuity framework at the July 21 Subgroup meeting. Ms. Hemphill said the Life Actuarial (A) Task Force has adopted a revision to VM-21, Requirements for Principle-Based Reserves for Variable Annuities, that addresses materiality, approximations, and simplifications. She said similar wording should be incorporated into the VM-22 draft for consistency. Chris Conrad (Academy) agreed to consider the change.

Having no further business, the VM-22 (A) Subgroup adjourned.

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Valuation Manual (VM)-22 (A) Subgroup
Virtual Meeting
July 21, 2021

The VM-22 (A) Subgroup of the Life Actuarial (A) Task Force met July 21, 2021. The following Subgroup members participated: Bruce Sartain, Chair, and Vincent Tsang (IL); Ted Chang, Ahmad Kamil, Elaine Lam and Thomas Reedy (CA); Lei Rao-Knight (CT); Mike Yanacheak (IA); Nicole Boyd (KS); William Leung (MO); Rhonda Ahrens (NE); Seong-min Eom (NJ); Bill Carmello and Amanda Fenwick (NY); Rachel Hemphill and Karen Jiang (TX); Tomasz Serbinowski (UT); and Craig Chupp (VA). Also participating was: John Robinson (MN).

1. Discussed the ARCWG Fixed Annuity Proposal

Mr. Sartain discussed exposing the American Academy of Actuaries' (Academy) Annuity Reserves and Capital Working Group (ARCWG) fixed annuity reserving framework proposal. Ms. Hemphill suggested that if the proposal is exposed, the cover page could indicate that the proposal is being considered, not endorsed, by the Subgroup.

Ben Slutsker (ARCWG) provided an overview of the fixed annuity reserving framework (Attachment One). He said the framework follows the structure of VM-21, Requirements for Principle-Based Reserves for Variable Annuities. He said the proposal uses "to be determined" in places where language for the standard projection amount is needed. He said Section 5, which covers reinsurance, goes into more depth than the corresponding section in VM-21. He suggested that commenters give that section a more rigorous review than some of the other sections that follow VM-21 more closely. He said Section 7, Exclusion Testing, borrows heavily from VM-20, Requirements for Principle-Based Reserves for Life Products. He noted that Section 13 retains the current language from VM-22, Statutory Maximum Valuation Interest Rates for Income Annuities, which will apply to contracts that pass an exclusion test. Mr. Slutsker said that in the Annuity Products section, the proposal provides criteria for differentiating fixed and variable annuities. Mr. Serbinowski suggested that perhaps specific definitions of fixed and variable annuities are needed. He said there are indexed products that are classified without considering risk as a criterion. Mr. Slutsker agreed that the line between the products is blurry. He said the framework lends itself to a principle-based approach to delineating fixed and variable products. Mr. Sartain asked whether amendment proposals adopted for the 2021 *Valuation Manual* and 2022 *Valuation Manual* are included in the fixed annuity framework proposal. Mr. Slutsker said the framework used the 2020 *Valuation Manual* as its basis. Mr. Sartain said the "VM-22 Exposure Priorities" document (Attachment Two) specifies items that commenters should consider as they review the fixed annuity framework.

2. Exposed Alternative Definitions for Reserve Categories

Mr. Chupp discussed the VM-22 product descriptions as modified (Attachment Three) to be considered as payout annuity reserve categories. He said that changes made since the Subgroup's July 7 meeting are highlighted in yellow. He noted that the definitions for "pension risk transfer" and "longevity risk" are provided in the fixed annuity framework proposal. Mr. Serbinowski asked if a product that does not meet any of the payout annuity product descriptions would by default be considered an accumulation product. Mr. Chupp said that is the intent. Mr. Sartain said one of the challenges the Subgroup faces is to decide whether to use a bright line such as in this product description approach or to rely on a principle-based approach. Mr. Serbinowski suggested listing longevity reinsurance separately from pension risk transfer annuities.

Mr. Sartain discussed the principle-based reserving (PBR) category definitions (Attachment Four). He said the previous version of the definition required that the category determination be made based on the risks at issue. The current version changes "at issue" to "as of the valuation date."

Mr. Serbinowski made a motion, seconded by Mr. Reedy, to expose the fixed annuity framework, the modified VM-22 product descriptions reserving category definition, and the PBR category definitions for a 90-day public comment period ending October 19. The motion passed unanimously.

3. Exposed VM-22 Exposure Priorities

Mr. Chupp made a motion, seconded by Mr. Reedy, to expose the VM-22 Exposure Priorities for a 90-day public comment period ending October 19. The motion passed unanimously.

Having no further business, the VM-22 (A) Subgroup adjourned.

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Agenda Item 3

Presentation and Discussion of Future Mortality Improvement Rates

Future Mortality Improvement Recommendation (VM-20)

Mortality Improvements Life Work Group (MILWG) of the Academy Life Experience Committee and SOA Preferred Mortality Project Oversight Group ("Joint Committee")

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Life Actuarial Task Force (LATF) Summer Meeting—August 2021

Individual Life Insurance
Future Mortality Improvement (FMI) for VM-20 Products

GOAL: To allow a prudent level of future mortality improvement (FMI) for VM-20 products beginning with the 2022 valuation manual

- FMI scale will be developed, updated and made available to practitioners annually
- Updates will be limited to a threshold of materiality for making a change
- Two versions of the scale will be published: Basic ("Best Estimate") and Loaded ("with margin")
- Period of scale application: 20 years
- Varies by gender and attained age

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Topics for Presentation

- FMI scale methodology—review and example rates for 2020
- Recommended FMI scale impact on reserves
- Margin recommendation
- Next steps/future considerations

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FMI Scale Development—Methodology Review

- Best estimate FMI grades from the historical basis to a long-term MI rate ("LTMIR") at 10 years
- Remains level from 10 to 15 years
- Grades to no additional improvement at 20 years
- Separate exercise for initial published scale to consider COVID-19 impacts

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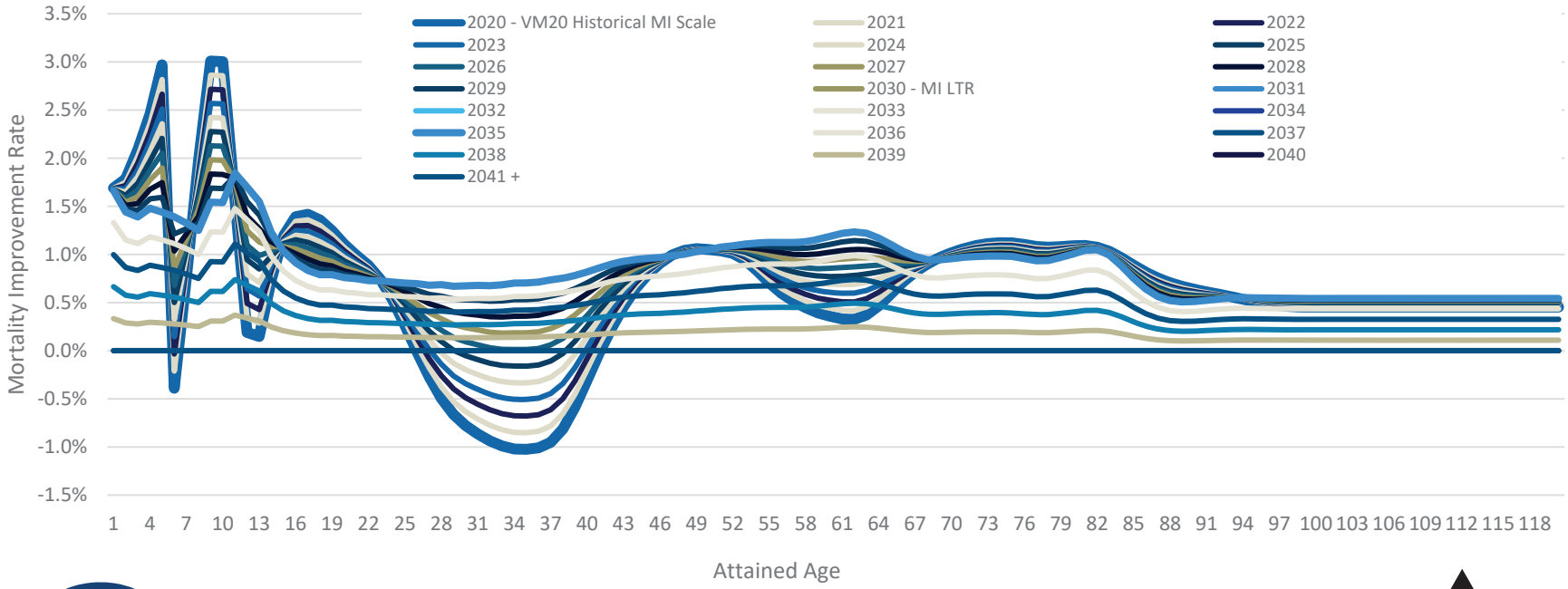
Example Best Estimate FMI Rates

Unsmoothed—Male—2020 Valuation



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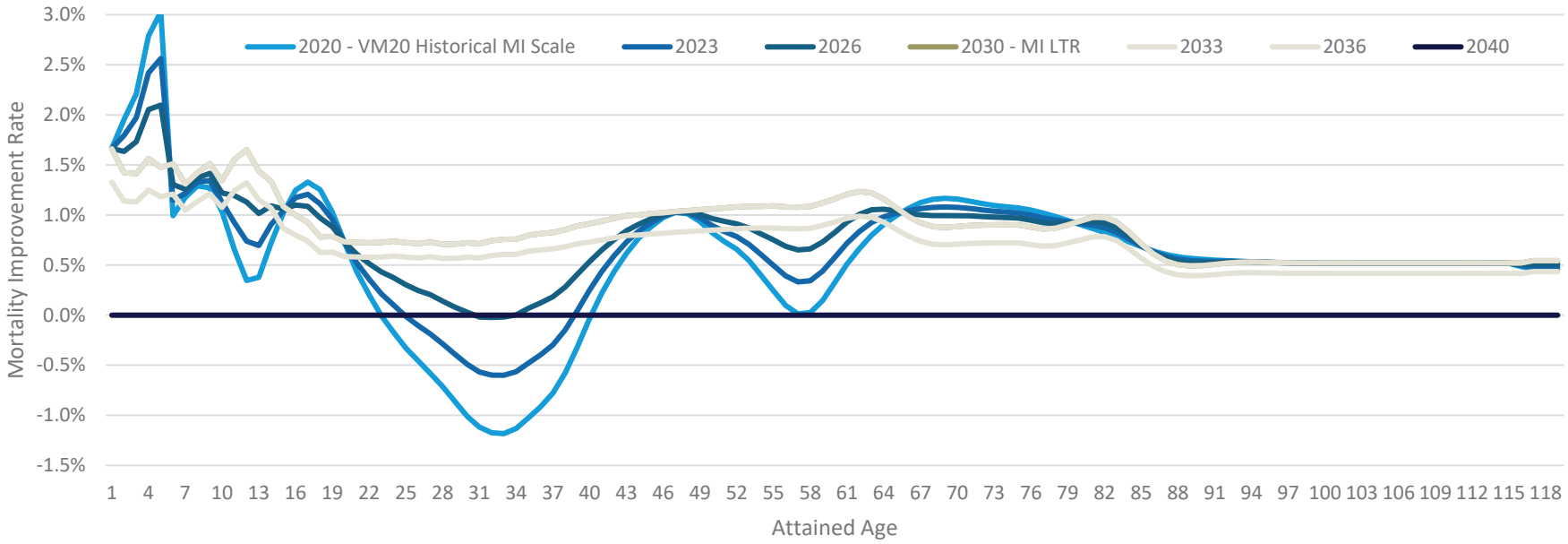
Example Best Estimate FMI Rates

Unsmoothed—Female—2020 Valuation



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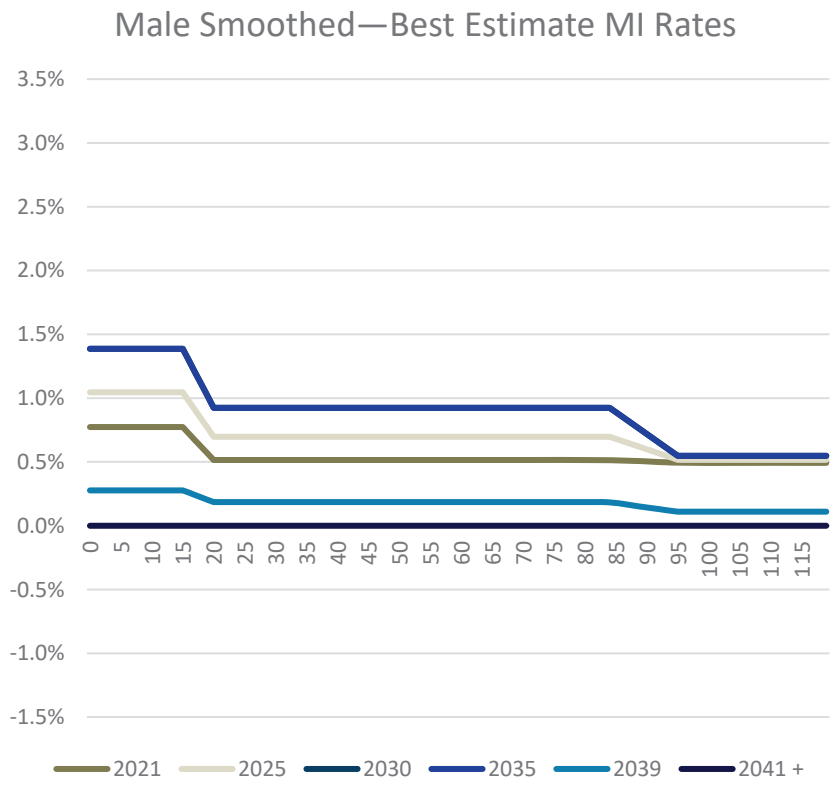
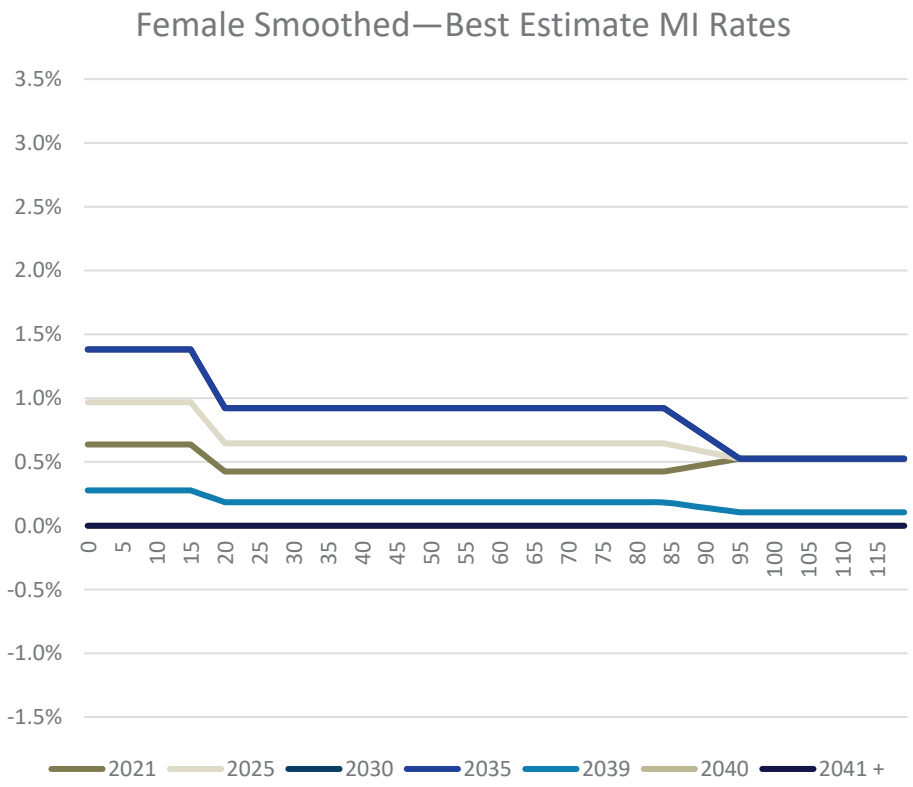
2020 Smoothed Best Estimate FMI Rates





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Reserve Impact Estimates

- Universal Life with Secondary Guarantees (ULSG) focus—long-duration product, larger potential for reserve reduction
  - Model office and assumptions same as used in the YRT representative model analysis
  - Lifetime shadow account secondary guarantee
  - No reinsurance in the model
- Combined model office

Component	Values
Issue ages	Decennial issue ages 30 – 70
Gender	Male Female
Risk classes	Preferred non-tobacco Standard non-tobacco Standard tobacco
Face bands	Low ($250,000) High ($1,000,000)

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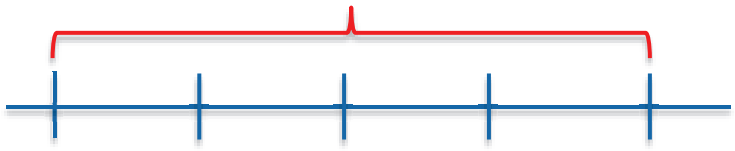
Reserve Impact Estimates

Future Mortality Improvement Assumption Model Implementation

- The 2021 and prior versions of VM-20 prohibited including FMI in the calculation of deterministic and stochastic reserves, while allowing the mortality assumption to be improved up to the valuation date using a historical mortality improvement (HMI) assumption developed by the MILWG
- An **"exact" approach** to including FMI in the calculation of deterministic and stochastic reserves would utilize the MILWG's HMI assumption to bring the mortality table up to the valuation date and then apply the separate FMI assumptions beyond the valuation date

Historical mortality improvement (HMI) application period for 2015 VBT and a 12/31/2020 valuation date



7/1/2015

Applicable date from which to start applying HMI for 2015 VBT

12/31/2020

HMI is allowed to be applied up to the current valuation date

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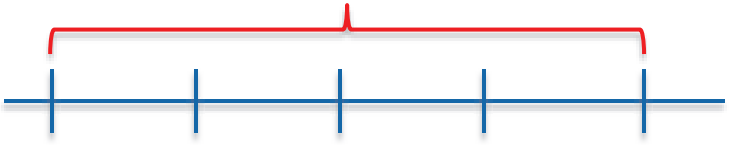
Reserve Impact Estimates

Future Mortality Improvement Assumption Model Implementation

A modeling simplification was employed that utilized the new MILWG FMI assumption as both HMI and FMI in the deterministic reserve projection.

This simplification allows for the impact of including FMI in current and future deterministic reserve calculations to be quantified.

Historical mortality improvement (HMI) application period for 2015 VBT and a 12/31/2020 valuation date



7/1/2015

Applicable date from which to start applying HMI for 2015 VBT

12/31/2020

HMI is allowed to be applied up to the current valuation date

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Reserve Impact Estimates

ULSG Model Office Results

- Baseline reserves—no FMI
- Best estimate—reserves with FMI at best estimate level
- Margin 25%—FMI at best estimate level with 25% reduction across all gender/ages
- Margin 35%—FMI at best estimate level with 35% reduction across all gender/ages

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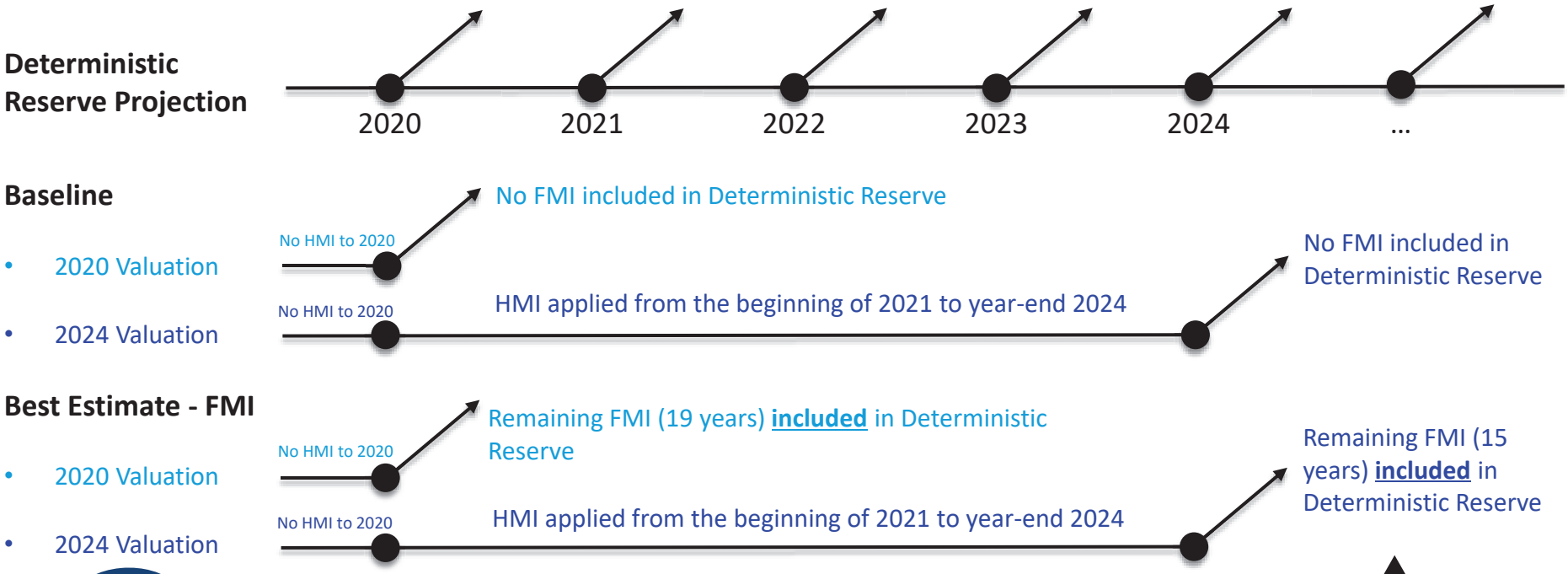
Reserve Impact Estimates

Model Office—Deterministic Reserve Projection Illustration



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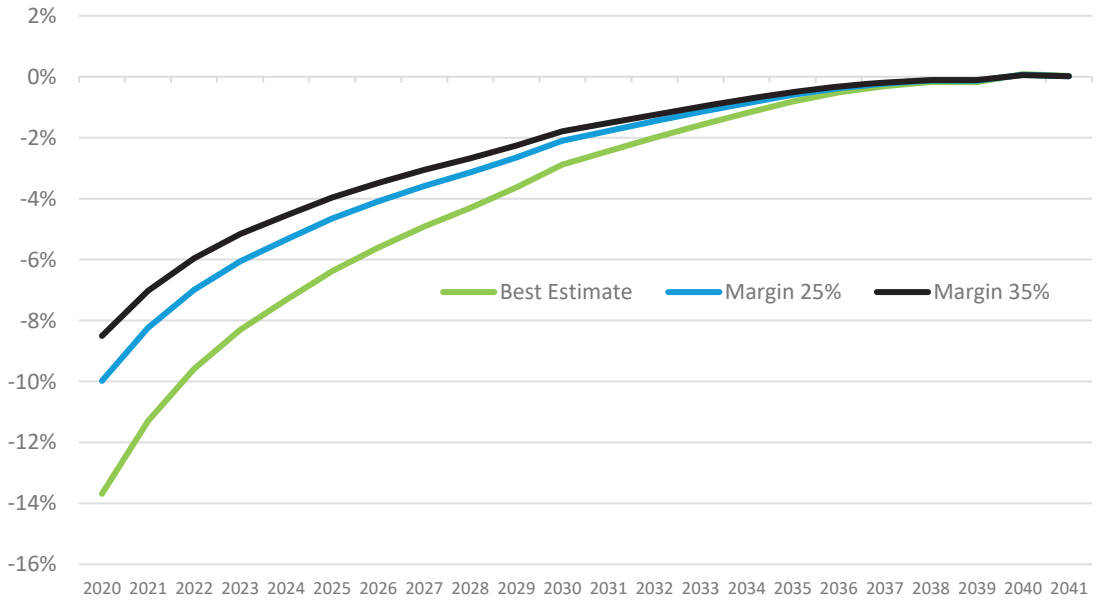
ULSG FMI—Reserve Impact Estimates

Full Model Office Results—Percent Change From Baseline Reserve Level



The blue and black curves were produced based on the pattern of the change in reserve from the Baseline and Best Estimate FMI runs.

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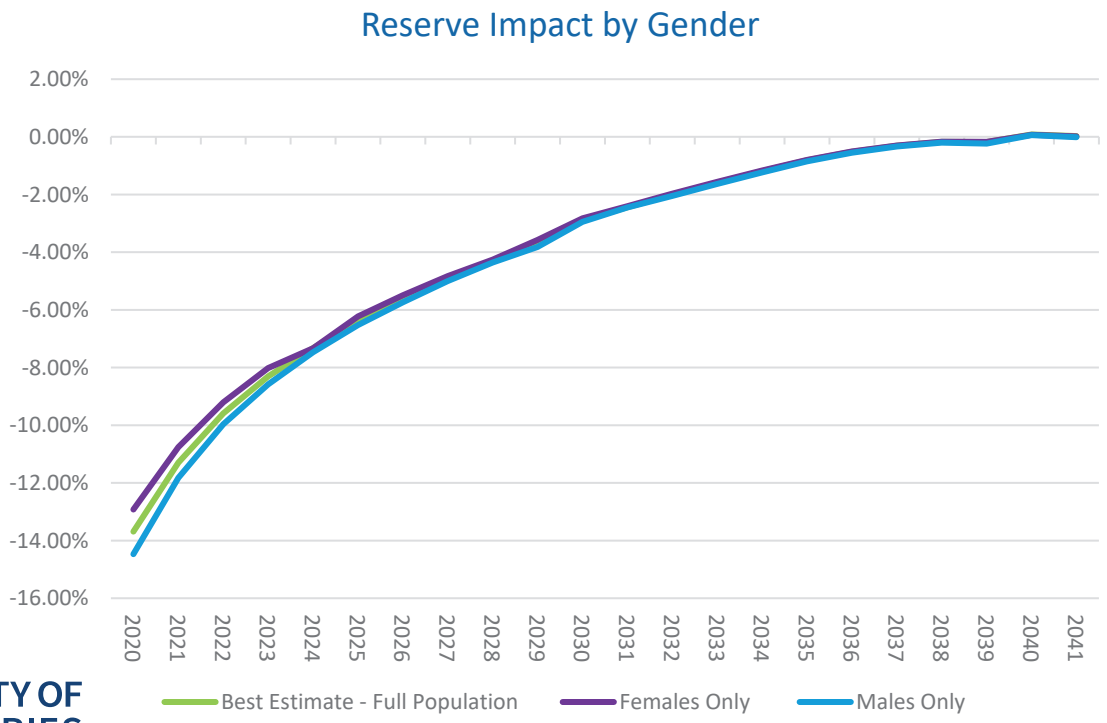
ULSG FMI—Reserve Impact Estimates

Model Office Results—Percent Change From Baseline Reserve Level



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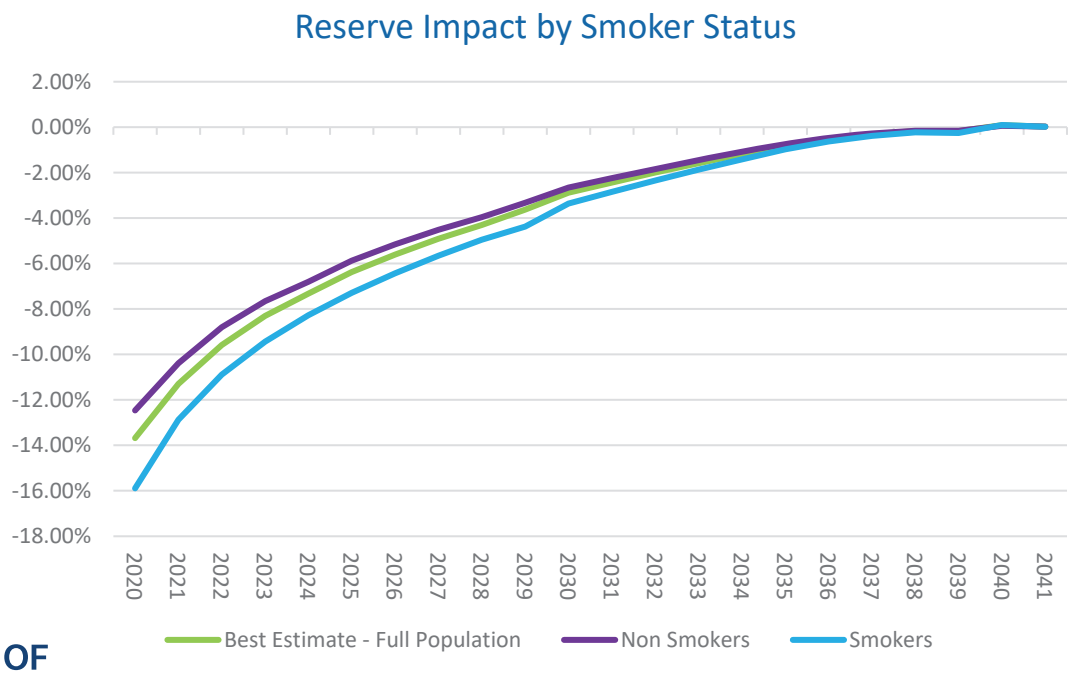
ULSG FMI—Reserve Impact Estimates

Model Office Results—Percent Change From Baseline Reserve Level



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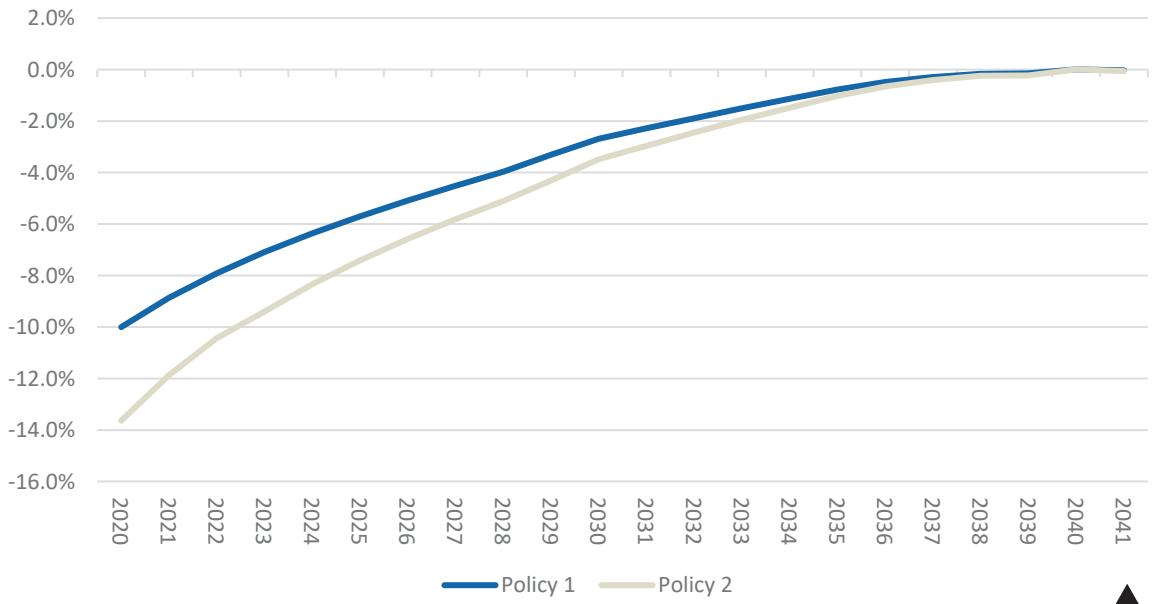
ULSG FMI—Reserve Impact Estimates

Single Cell Results—Percent Change From Baseline Reserve Level

Lower mortality factors	Higher mortality factors
Policy #1:	Policy #2:
Female	Male
Issue Age 40	Issue Age 40
Preferred Non-smoker	Smoker
High band (1M)	Low band (250K)



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Margin Recommendation

MARGIN ON THE INCREMENTAL MORTALITY IMPROVEMENT SCALE

- Margin will be included for all companies
  - Companies may use a more conservative MI scale but not less conservative
- Margin will take the form of a flat % reduction in the best estimate MI scale
  - **Recommendation for 25% flat reduction**

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Considerations in Margin Recommendation

- 25% reduction in best estimate scale is a material cushion to reserve impact
- Conservatism in best estimate MI scale
  - Not explicitly included
  - Methodology has some conservatism—i.e., limiting cumulative improvements to 20 years
- Ability to change best estimate MI scale each year
  - No lock in of assumptions under VM-20
  - Corrections can be made if trends change

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Next Steps

CONTINUED CONSIDERATIONS

- Consideration of COVID-19 impacts when we reach 2020 historical data inclusion
  - Shock
  - Potential longer-term impacts
  - Baseline company experience—potential differences in how companies reflect COVID-19 impacts
  - COVID-19 impact different for population vs. insured population
- Threshold of materiality for making a change in a given year

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Future Considerations

OTHER ISSUES DISCUSSED

- Impacts of opioid epidemic
- Socioeconomic differences (between general and insured population)
- Obesity impacts
- Mental health impacts
- Slowdown in cardiovascular mortality improvement
- Smoker status

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Questions?

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Contact Information

Marianne Purushotham, FSA,
MAAA
Corporate Vice President, Research Data Services
LLGlobal
mpurushotham@limra.com

Khloe Greenwood
Life Policy Analyst
American Academy of Actuaries
greenwood@actuary.org

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APPENDIX:

YRT Representative Model Liability Assumptions

Model design and assumptions

LIABILITY ASSUMPTIONS (ULSG)

The assumptions used in the analysis are below, including assumed PBR margins

Assumption	Anticipated experience assumption	Prudent estimate assumption (e.g. margin)
Mortality	• 2015 VBT gender distinct, smoker distinct ANB • Relative Risk varies by risk class • A/E factors vary by high/low band • Future mortality improvement of .50%	• Prescribed margins applied to company mortality • Industry table: 2015 VBT with prescribed margins and mortality improvement scale • Grading and margins assumes 100% Limited Fluctuation method credibility
Lapse	• 3% annual lapse rate	• 2% annual lapse rate • 0% lapse rate when the secondary guarantee is in-the-money (i.e. CSV < 0)
Expenses	• $100 per policy (annual) • 2.5% premium tax • 2% inflation	• 105% margin on expenses • 2.5% inflation

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d.

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Agenda Item 4

Discuss Comments on the Economic Scenario Generator (ESG)

Will be distributed in a Supplemental Packet

Agenda Item 5

Consider Exposure of the Generally Recognized Expense Tables (GRET)

2021 GRET Recommendation

Tony Phipps, FSA, MAAA

Chair SOA Committee on Life Insurance Expenses

August 12, 2021

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Presentation Disclaimer

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GRET Agenda

- Methodology
- Recommendation
- Comparison to Prior Years
- Information on Companies in Study

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Methodology

- Select data points provided by NAIC from company Annual Statement submissions
- SOA surveyed companies to determine Distribution Channels
- SOA analyzed data to derive unit expense factors by those Distribution Channels

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Additional Comments on Methodology

- Allocated expenses to acquisition and maintenance categories using the same seeds as has been previously used
  - Acquisition/Policy: $200.00
  - Acquisition/Face Amount: $1.10
  - Acquisition/Premium: 50%
  - Maintenance/Policy: $60.00

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Recommendation

Proposed 2022 GRET Factors Based on Average of 2019/2020 Data					
Description	Acquisition per Policy	Acquisition per Unit	Acquisition per Premium	Maintenance per Policy	Company Count
Independent	$183.00	$1.00	46%	$55.00	142
Career	212.00	1.20	53%	64.00	77
Direct Marketing	200.00	1.10	50%	60.00	23
Niche Marketing	151.00	0.90	37%	45.00	24
Other*	139.00	0.80	35%	42.00	109
* Includes companies that did not respond to this or prior year surveys					375

Current 2021 GRET Factors Based on Average of 2018/2019 Data					
Description	Acquisition per Policy	Acquisition per Unit	Acquisition per Premium	Maintenance per Policy	Company Count
Independent	$166.00	$0.90	42%	$50.00	121
Career	214.00	1.20	54%	64.00	63
Direct Marketing	195.00	1.10	49%	59.00	15
Niche Marketing	137.00	0.80	34%	41.00	26
Other*	126.00	0.70	32%	38.00	67
* Includes companies that did not respond to this or prior year surveys					292

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Comparison to Prior Years

Acquisition per Policy					
Description	2022	Percentage Change	2021	Percentage Change	2020
Independent	$183	10%	$166	-1%	$168
Career	212	-1%	214	0%	214
Direct Marketing	200	3%	195	-10%	217
Niche Marketing	151	10%	137	10%	125
Other*	139	10%	126	-10%	140

* Includes companies that did not respond to this or prior year surveys

Acquisition per Unit					
Description	2022	Percentage Change	2021	Percentage Change	2020
Independent	$1.00	11%	$0.90	0%	$0.90
Career	1.20	0%	1.20	0%	1.20
Direct Marketing	1.10	0%	1.10	-8%	1.20
Niche Marketing	0.90	13%	0.80	14%	0.70
Other*	0.80	14%	0.70	-13%	0.80

* Includes companies that did not respond to this or prior year surveys

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Comparison to Prior Years

Acquisition Per Premium					
Description	2022	Percentage Change	2021	Percentage Change	2020
Independent	46%	10%	42%	0%	42%
Career	53%	-2%	54%	0%	54%
Direct Marketing	50%	2%	49%	-9%	54%
Niche Marketing	37%	9%	34%	6%	32%
Other*	35%	9%	32%	-9%	35%

* Includes companies that did not respond to this or prior year surveys

Maintenance Per Policy					
Description	2022	Percentage Change	2021	Percentage Change	2020
Independent	$55	10%	$50	0%	$50
Career	64	0%	64	0%	64
Direct Marketing	60	2%	59	-9%	65
Niche Marketing	45	10%	41	8%	38
Other*	42	11%	38	-10%	42

* Includes companies that did not respond to this or prior year surveys

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Information on Companies in Study

- The following percentages of companies responded that GRET factors are used for individual life sales illustration purposes:
  - 2021 Survey: 31%
  - 2020 Survey: 29%
  - 2019 Survey: 26%
  - 2018 Survey: 28%
  - 2017 Survey: 30%
  - 2016 Survey: 26%
- We believe variation is a result of the mix of respondents and the limited number of responses

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Information on Companies in Study

- Included 375 companies in this year's study
  - Increase of 83 companies from last year's study.
  - Much of this increase is due to companies that were not included in the 2021 calculations due outliers in the 2018 data
- There were a total of 771 companies originally in the data received from the NAIC in this year's data extraction versus 776 in last year
  - Total ordinary policies issued for these 771 companies remained essentially flat (30K more policies out of a total of 10.1M) over the prior year
  - Face amount issued increased by 2.6% over the prior year

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Questions

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TO: Reggie Mazyck, NAIC

FROM: Pete Miller, Experience Study Actuary, Society of Actuaries (SOA)
Tony Phipps, Chair, SOA Committee on Life Insurance Company Expenses

DATE: August 4, 2021

RE: 2022 Generally Recognized Expense Table (GRET) – SOA Analysis

Dear Mr. Mazyck:

As in previous years, the Society of Actuaries expresses its thanks to NAIC staff for their assistance and responsiveness in providing Annual Statement expense and unit data for the 2022 GRET analysis for use with individual life insurance sales illustrations. The analysis is based on expense and expense related information reported on companies' 2019 and 2020 Annual Statements. This project has been completed to assist the Life Actuarial Task Force (LATF) in its consideration of potential revisions to the GRET that could become effective for calendar year 2022. This memo describes the analysis and resultant findings.

NAIC staff provided Annual Statement data for life insurance companies for calendar years 2019 and 2020. This included data from 776 companies in 2019 and 771 companies in 2020. This decrease resumes the trend of small decreases from year to year. Of the total companies, 375 were in both years and passed the outlier exclusion tests and were included as a base for the GRET factors (292 companies passed similar tests last year).

APPROACH USED

The methodology for calculating the recommended GRET factors based on this data is similar to that followed the last several years. The methodology was last altered in 2015. The changes made at that time can be found in the recommendation letter sent to LATF on July 30, 2015[1].

To calculate updated GRET factors, the average of the factors from the two most recent years (2019 and 2020 for those companies with data available for both years) of Annual Statement data was used. For each company an actual-to-expected ratio was calculated. Companies with ratios that fell outside predetermined parameters were excluded. This process was completed three times to stabilize the average rates. The boundaries of the exclusions have been modified from time to time; however, there were no adjustments made this year. Unit expense seed factors (the seeds for all distribution channel categories are the same), as shown in Appendix B, were used to compute total expected expenses. Thus, these seed factors were used to implicitly allocate expenses between acquisition and maintenance expenses, as well as among the three acquisition expense factors (on a direct of ceded reinsurance basis).

Companies were categorized by their reported distribution channel (four categories were used as described in Appendix A included below). There remain a significant number of companies for which no distribution channel was provided, as no responses to the annual surveys have been received from those companies. The characteristics of these companies vary significantly, including companies not currently writing new business or whose major line of business is not individual life insurance. Any advice or assistance from LATF in future

[1] https://www.soa.org/Files/Research/Projects/research-2016-gret-recommendation.pdf

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years to increase the response rate to the surveys of companies that submit Annual Statements in order to reduce the number of companies in the "Other" category would be most welcomed. The intention is to continue surveying the companies in future years to enable enhancement of this multiple distribution channel information.

Companies were excluded from the analysis if in either 2019 or 2020 (1) their actual to expected ratios were considered outliers, often due to low business volume, (2) the average first year and single premium per policy were more than $40,000, (3) they are known reinsurance companies or (4) their data were not included in the data supplied by the NAIC. To derive the overall GRET factors, the unweighted average of the remaining companies' actual-to-expected ratios for each respective category was calculated. The resulting factors were rounded, as shown in Table 1.

THE RECOMMENDATION

The above methodology results in the proposed 2022 GRET values shown in Table 1. To facilitate comparisons, the current 2021 GRET factors are shown in Table 2. Further characteristics of the type of companies represented in each category are included in the last two columns in Table 1, including the average premium per policy issued and the average face amount ($000s) per policy issued.

To facilitate comparisons, the current 2021 GRET factors are shown in Table 2. Further characteristics of the type of companies represented in each category are included in the last two columns in Table 1, including the average premium per policy issued and the average face amount ($000s) per policy issued.

TABLE 1

PROPOSED 2022 GRET FACTORS, BASED ON AVERAGE OF 2019/2020 DATA

Description	Acquisition per Policy	Acquisition per Unit	Acquisition per Premium	Maintenance per Policy	Companies Included	Average Premium Per Policy Issued During Year	Average Face Amt (000) Per Policy Issued During Year
Independent	$183	$1.00	46%	$55	142	3,252	194
Career	212	1.20	53%	64	77	2,327	197
Direct Marketing	200	1.10	50%	60	23	875	72
Niche Marketing	151	0.90	37%	45	24	517	13
Other*	139	0.80	35%	42	109	786	70
* Includes companies that did not respond to this or prior year surveys					375		

TABLE 2

CURRENT 2021 GRET FACTORS, BASED ON AVERAGE OF 2017/2019 DATA

Description	Acquisition per Policy	Acquisition per Unit	Acquisition per Premium	Maintenance per Policy	Companies Included	Average Premium Per Policy Issued During Year	Average Face Amt (000) Per Policy Issued During Year
Independent	$166	$0.90	42%	$50	121	2,916	194
Career	214	1.20	54%	64	63	2,517	195
Direct Marketing	195	1.10	49%	59	15	2,933	119
Niche Marketing	137	0.80	34%	41	26	590	11
Other*	126	0.70	32%	38	67	836	29
* Includes companies that did not respond to this or prior year surveys					292		

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In previous recommendations, an effort was made to reduce volatility in the GRET factors from year-to-year by limiting the change in GRET factors between years to about ten percent of the prior value. The changes from the 2021 GRET were reviewed to ensure that a significant change was not made in this year's GRET recommendation.

The Independent, Niche Marketing and Other distribution channel categories experienced a change greater than ten percent so the factors for this line were capped at the ten percent level (the Acquisition per unit factor changed somewhat more than 10% because of rounding) from the corresponding 2021 GRET values. The volatility occurred due to incorrect NAIC data for 2018 for some companies, which caused their actual to expected ratios to be considered outliers and they were not included in the calculation. This resulted in lower final 2021 GRET factors and subsequently the same for the 2022 recommendation. Over the next one to three years, the ten percent cap will allow this difference to be graded in so calculated GRET will be used for the final recommended GRET factors.

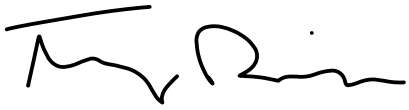
USAGE OF THE GRET

This year's survey, responded to by companies' Annual Statement correspondent, included a question regarding whether the 2021 GRET table was used in its illustrations by the company. Last year, 29% of the responders indicated their company used the GRET for sales illustration purposes, with similar percentage results by size of company; this contrasted with about 28% in 2019. This year, 31% of responding companies indicated that they used the GRET in 2020 for sales illustration purposes. The range was from 11% for Direct Marketing to 43% for Independent. Based on the information received over the last several years, the variation in GRET usage appears to be in large part due to the relatively small sample size and different responders to the surveys.

We hope LATF finds this information helpful and sufficient for consideration of a potential update to the GRET. If you require further analysis or have questions, please contact Pete Miller at 847-706-3566.

Kindest personal regards,

Pete Miller, ASA, MAAA
Experience Study Actuary
Society of Actuaries



Tony Phipps, FSA, MAAA
Chair, SOA Committee on
Life Insurance Company Expenses

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APPENDIX A -- DISTRIBUTION CHANNELS

The following is a description of distribution channels used in the development of recommended 2022 GRET values:

1. Independent – Business written by a company that markets its insurance policies through an independent insurance agent or insurance broker not primarily affiliated with any one insurance company. These agencies or agents are not employed by the company and operate without an exclusive distribution contract with the company. These include most PPGA arrangements.

2. Career – Business written by a company that markets insurance and investment products through a sales force primarily affiliated with one insurance company. These companies recruit, finance, train, and often house financial professionals who are typically referred to as career agents or multi-line exclusive agents.

3. Direct Marketing – Business written by a company that markets its own insurance policies direct to the consumer through methods such as direct mail, print media, broadcast media, telemarketing, retail centers and kiosks, internet or other media. No direct field compensation is involved.

4. Niche Marketers – Business written by home service, pre-need, or final expense insurance companies as well as niche-market companies selling small face amount life products through a variety of distribution channels.

5. Other – Companies surveyed were only provided with the four options described above. Nonetheless since there were many companies for which we did not receive a response (or whose response in past years' surveys confirmed an "other" categorization (see below), values for the "other" category are given in the tables in this memo. It was also included to indicate how many life insurance companies with no response (to this survey and prior surveys) and to indicate whether their exclusion has introduced a bias into the resulting values.

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APPENDIX B – UNIT EXPENSE SEEDS

The expense seeds used in the 2014 and prior GRETs were differentiated between branch office and all other categories, due to the results of a relatively old study that had indicated that branch office acquisition cost expressed on a per Face Amount basis was about double that of other distribution channels. Due to the elimination of the branch office category in the 2015 GRET, non-differentiated unit expense seeds have been used in the current and immediately prior studies.

The unit expense seeds used in the 2022 GRET and the 2021 GRET recommendations were based on the average of the 2006 through 2010 Annual SOA expense studies. These studies differentiated unit expenses by type of individual life insurance policy (term and permanent coverages). As neither the GRET nor the Annual Statement data provided differentiates between these two types of coverage, the unit expense seed was derived by judgment based this information. The following shows the averages derived from the Annual SOA studies and the seeds used in this study. Beginning with the 2020 Annual Statement submission this information will become more readily available.

2006-2010 (AVERAGE) CLICE STUDIES:

	Acquisition/ Policy	Acquisition/ Face Amount (000)	Acquisition/ Premium	Maintenance/ Policy
Term				
Weighted Average	$149	$0.62	38%	$58
Unweighted Average	$237	$0.80	57%	$76
Median	$196	$0.59	38%	$64
Permanent				
Weighted Average	$167	$1.43	42%	$56
Unweighted Average	$303	$1.57	49%	$70
Median	$158	$1.30	41%	$67

CURRENT UNIT EXPENSE SEEDS:

	Acquisition/ Policy	Acquisition/ Face Amount (000)	Acquisition/ Premium	Maintenance/ Policy
All distribution channels	$200	$1.10	50%	$60

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Agenda Item 6

Presentation on the Transition from LIBOR

Update on the Transition from LIBOR

Pat Allison, FSA, MAAA

August 12, 2021

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Agenda

- Background
- Key Dates
- Company Actions Needed
- Applicable *Valuation Manual* Language
- Future LATF Actions Needed

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Background

- LIBOR is a widely used benchmark for short-term interest rates. Approximately $200 trillion of financial contracts reference USD LIBOR.
- USD LIBOR is currently published for 7 tenors (overnight, 1-week, 1-month, 2-month, 3-month, 6-month, and 12-months), but this will be ceasing.
- The 3-month and 6-month USD LIBOR tenors are specifically cited in the *Valuation Manual*.
- The **Alternative Reference Rates Committee (ARRC)** is a group of private-market participants formed in 2014 by the Federal Reserve Board and the NY Fed. It seeks to ensure a successful transition from USD LIBOR to its recommended alternative, the **Secured Overnight Financing Rate (SOFR)**.

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Background (continued)

Some cited advantages of SOFR*:

- As an overnight secured rate, SOFR better reflects the way financial institutions fund themselves today.
- SOFR is fully based on actual transactions and does not rely on judgment.
- SOFR references multiple segments of the US Treasury repurchase agreement market. The transactions underlying SOFR regularly are around $1 trillion in daily volumes. This protects against the risk of manipulation.
- SOFR's underlying market is resilient and robust.
- SOFR is a true "risk-free" rate suitable as a reflection of interest rates overall.
- SOFR is produced by the public sector using a transparent methodology.

*Source: Government Finance Officers Association - Guide for Municipal Issuers

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Key Dates

Date	Event
7/26/21	Interdealer trading conventions changed to trade SOFR linear swaps in place of USD LIBOR.
7/29/21	The ARRC formally recommended CME Group's forward-looking SOFR Term Rates. CME Term SOFR rates are now published daily in 1-month, 3-month, and 6-month tenors.
1/1/22	1-week and 2-month USD LIBOR will no longer be published (the *Valuation Manual* does not reference these).
7/1/23	All other USD LIBOR tenors (i.e. overnight, 1-, 3-, 6-, and 12-month) will no longer be published.

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Company Actions Needed

- Insurance companies will need to take inventory of existing products and processes that use LIBOR, which may include:
  - Investments (e.g., floating rate debt, where the interest rate is reset periodically based on LIBOR; derivatives linked to LIBOR)
  - Contracts with policyholders (e.g., annuities with credited rate equal to LIBOR plus a margin)
  - Reinsurance treaties
  - IT feeds
- Take action where required to move toward SOFR or another rate (e.g. for annuity contracts with policyholders, file for approval with the IIPRC and notify owner)

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Applicable *Valuation Manual* Language

- VM-20 Section 9.F.8.d relating to the Procedure for Setting Prescribed Gross Asset Spreads by Projection Year for Certain Asset Transactions and Operations in the Cash-Flow Model

  Interest rate swap spreads over Treasuries shall be prescribed by the NAIC for use throughout the cash-flow model wherever appropriate for transactions and operations including, but not limited to, purchase, sale, settlement, cash flows of derivative positions and reset of floating rate investments. A current and long term swap spread curve shall be prescribed for year one and years four and after, respectively, with yearly grading in between. The three-month and six-month points on the swap spread curves shall be the market-observable values for these tenors. Currently, this shall be the corresponding London Interbank Offered Rate (LIBOR) spreads over Treasuries. **When the NAIC determines LIBOR is no longer effective, the NAIC shall recommend a replacement to the Life Actuarial (A) Task Force which shall be effective upon adoption by the Task Force.**

Note: The bolded language above accommodates a single replacement for LIBOR (e.g., SOFR).

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Applicable *Valuation Manual* Language (continued)

- VM-20 Appendix 2, Sections G.1-3 relating to Long-Term Benchmark Swap Spreads

1. **Extract daily swap spread data over the prescribed observation period (rolling 15-year period)** ending on the last business day of the quarter. For Bank of America data, convert the daily swap rate for each maturity to a swap spread by subtracting the corresponding maturity Treasury yield from the swap rate. For JP Morgan, the daily swap spread is provided for each maturity.

2. Average the daily Bank of America swap spread data with the daily JP Morgan swap spread data by maturity over the prescribed observation (rolling 15-year period).

3. Calculate the 85% conditional mean for each of the 32 maturity categories (three-month, six-month, one-year, two-year, … 30-year) using the same business trading days as were used in the 85% conditional mean for long-term bonds spreads.

Note: We will not have 15 years of data for LIBOR's replacement.

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Future LATF Actions Needed

- Identify the replacement for LIBOR.
  - The ARRC has recommended SOFR as LIBOR's replacement, but there are competing alternatives (e.g. Bloomberg's Short-Term Bank Yield Index).
- Adopt the replacement for LIBOR when the NAIC determines that LIBOR is no longer effective. This will enable the NAIC to begin publishing the 3-month and 6-month rates.
- Amend the *Valuation Manual* to specifically identify the replacement for 3-month and 6-month USD LIBOR.
- Determine whether the process for calculating Long-Term Benchmark Swap Spreads needs to be changed, given that there is no 15-year history for LIBOR's replacement.

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Questions?

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Agenda Item 7

Hear an Update on Experience Reporting Data Collection

Update on Mortality Experience Data Collection

Pat Allison, FSA, MAAA
Angela McNabb, ASA, MAAA
August 12, 2021

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Agenda

- Data Collection Timeline
- Project Status
- Early Observations
- Resources Available on the NAIC Website

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2021 Experience Data Collection Timeline

5/27/21	NAIC finished hosting a series of company training webinars.
6/7/21	NAIC notified companies that they could begin submitting data for the 2018 and 2019 observation years.
9/30/21	Deadline to submit data using the Regulatory Data Collection (RDC) tool. Automatic feedback on form and format data exceptions will be provided by RDC upon submission. Additional feedback will be provided within 30 days based on actuarial review.
12/31/21	Deadline for companies to make corrections
5/31/22	NAIC to submit aggregate experience data to SOA

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Project Status

- As of 8/2/2021, 115 companies, representing 90% of industry claims, are subject to the Mortality Experience Data Collection. Of these companies:
  - 85 have participated in either the KS or NY mortality experience data calls
  - 77 are subject to Life PBR

- The NAIC has received 3 full submissions and 1 partial submission

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Early Observations

- Training sessions were very well attended (recordings and slides are available on the NAIC website).
- Companies have been actively communicating with the NAIC regarding out-of-scope business, exemption requests, and miscellaneous questions.
- Some submissions have been incomplete. They need to include data for the 2018 and 2019 observation years, VM-51 questionnaires, control totals, and a reconciliation.
- A communication was sent to companies regarding common questions and issues.

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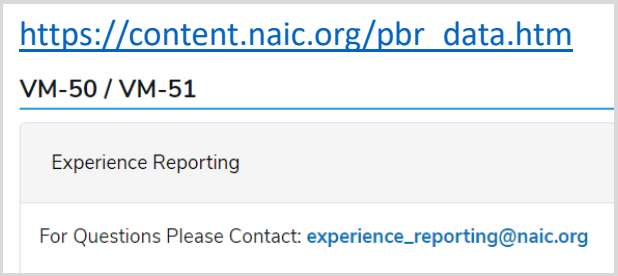
Resources

The following resources are on the NAIC website



- Mortality Data Collection Training Series - Recordings, PowerPoint slides, Summaries from Q&A
- Instructions and Guides
  - Instructions, Questionnaires, and File Formats (extracted from the *Valuation Manual*)
  - Company Administrator Guide
  - RDC Rate File Submission Instructions
- Templates
  - Control Totals Template
  - Reconciliation Template
  - VM-51 Appendix 1/2/3 Questionnaire Template
- VM-51 Mortality Experience Data Collection FAQ
- VM-51 Reporting when Business is Administered by Third-parties
- VM-51 Data Validations
- A VM-51 data dictionary will be posted shortly

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Questions?

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Agenda Item 8

Hear an Update on SOA Research and Education

Society of Actuaries Research Update to LATF

R. DALE HALL, FSA, MAAA, CERA, CFA

Managing Director of Research

August 12, 2021

SOCIETY OF ACTUARIES®

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Group Life COVID-19 Mortality Survey

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Survey Overview

- Purpose is to gather high-level view of U.S. Group Term Life Insurance mortality results during the COVID-19 pandemic
- 20 of the top 21 U.S. Group Term Life insurers focused on employer groups participated in the survey (about 90% of industry)
  - Includes over 1.8 million claims and over $83 billion in earned premium
- Survey compares mortality results during pandemic to 2017-2019 baseline period
- July report contains data through Q1 2021 and is an update to the December 2020 report, which included data through August 2020

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Survey Highlights

- Group Life claim incidence were higher for the April 2020 – March 2021 period:
  - 17.3% on Reported basis
  - 19.6% on Incurred basis
- 13% of reported claims from April 2020 – March 2021 had a cause of death of COVID-19
- Blue Collar group experienced the smallest excess mortality of the collar groups studied
  - Spread between Blue and White/Grey has narrowed since the previous update

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Survey Highlights

- Mortality patterns by region changed over the course of the pandemic. Regions with highest excess mortality by quarter:
  - Q2 2020: Northeast (42.6%)
  - Q3 2020: Southeast (25.3%)
  - Q4 2020: Midwest (33.8%)
  - Q1 2021: Southeast (32.3%)
- Group Life survey data excess mortality was generally 80% - 110% of U.S. population data
  - December report indicated a 50% - 70% range
  - West region showed the largest spread between Group Life and U.S. population data

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Individual Life COVID-19 Claims Analysis

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Overview and Data

- The previous report published in March included data from 2015 – June, 2020
  - Analysis was by cause of death, but not a true experience study
- This experience study included data from 2015 – September, 2020
  - 2020 deaths compared with 2015 – 2019, by quarter
  - The data included exposures: this is similar to a more traditional experience study than the March study
  - Results largely in line with COVID-19 experience from other studies, with some interesting observations
  - 31 Contributing companies with 2.8 million deaths

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Methodology

- Generally follows a standard Actual to Expected study, but:
  - The baseline is based on VBT-2015, which is an amount-based table
  - When analyzed based on amount, even with 2.8 million deaths, ratios were very volatile
  - Numerators based on counts, which gave stable, solid results
  - Report discusses “relative mortality ratios” instead of “Actual to Expected” because of this technical disconnect

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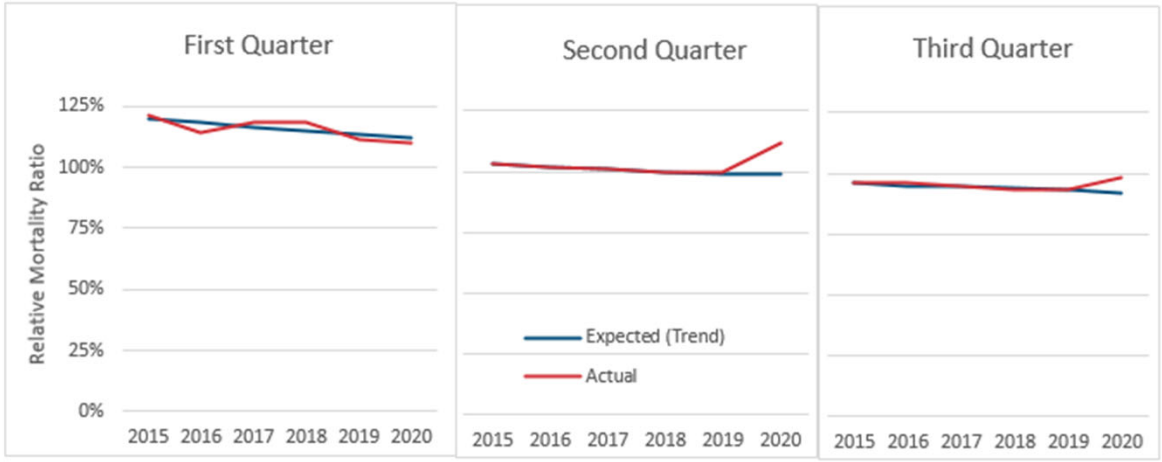
Methodology Contd.

- 2015 – 2019 experience was extrapolated to 2020 by quarter, and compared against 2020 actuals
- Overall 5-year trends were clearly identifiable



All fully underwritten business, by quarter

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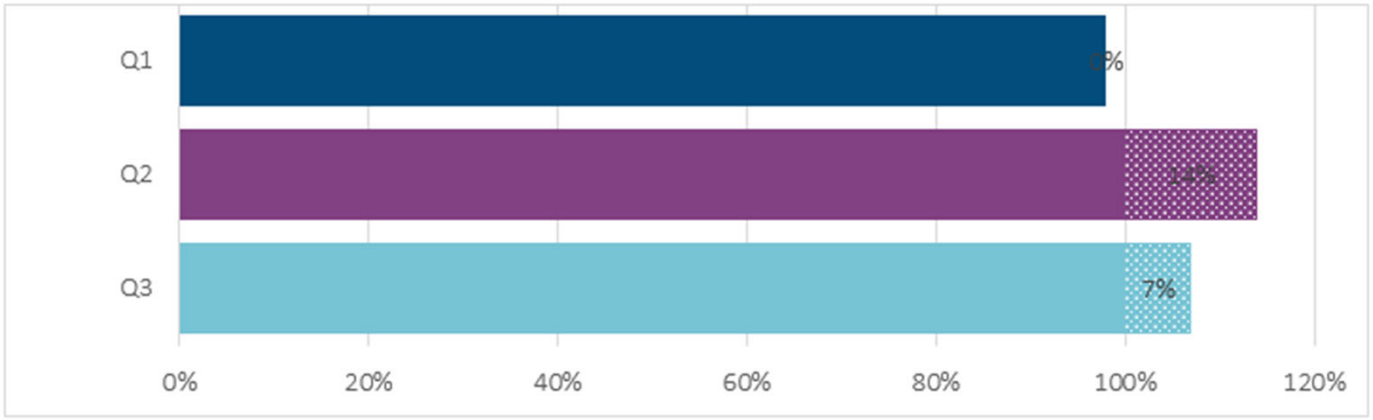
Methodology Contd.

- The results were also shown as excess mortality charts, by quarter:



All fully underwritten business, by quarter

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Actual to Expected Relative Mortality Ratios: By Sex and Attained Age

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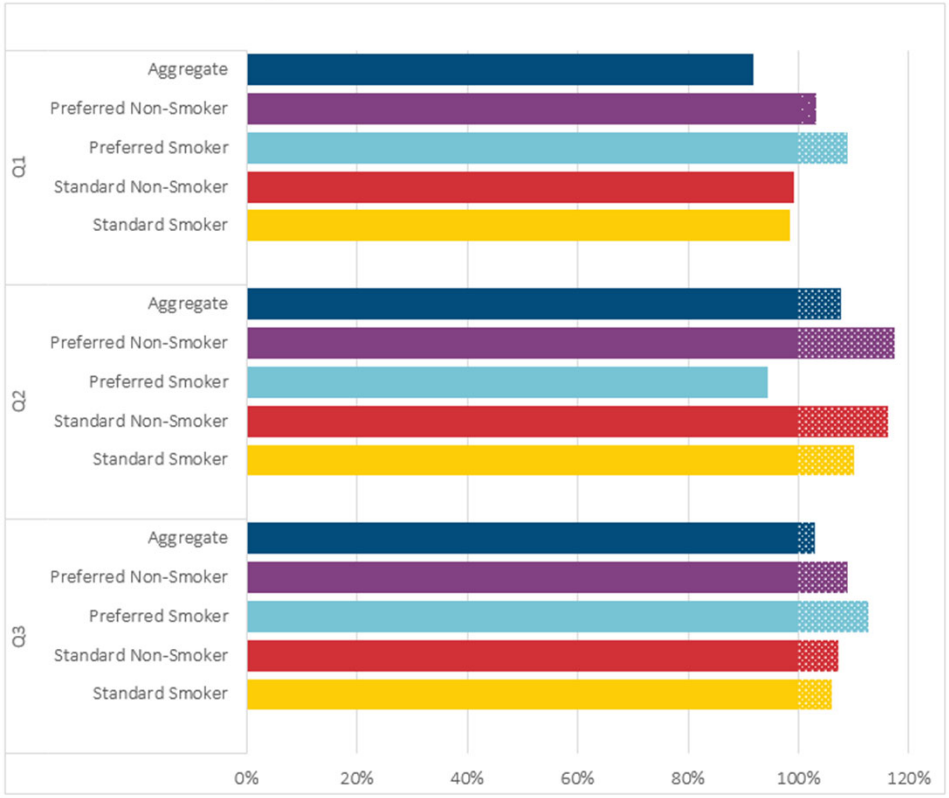
Actual to Expected Relative Mortality Ratios: By Preferred Class



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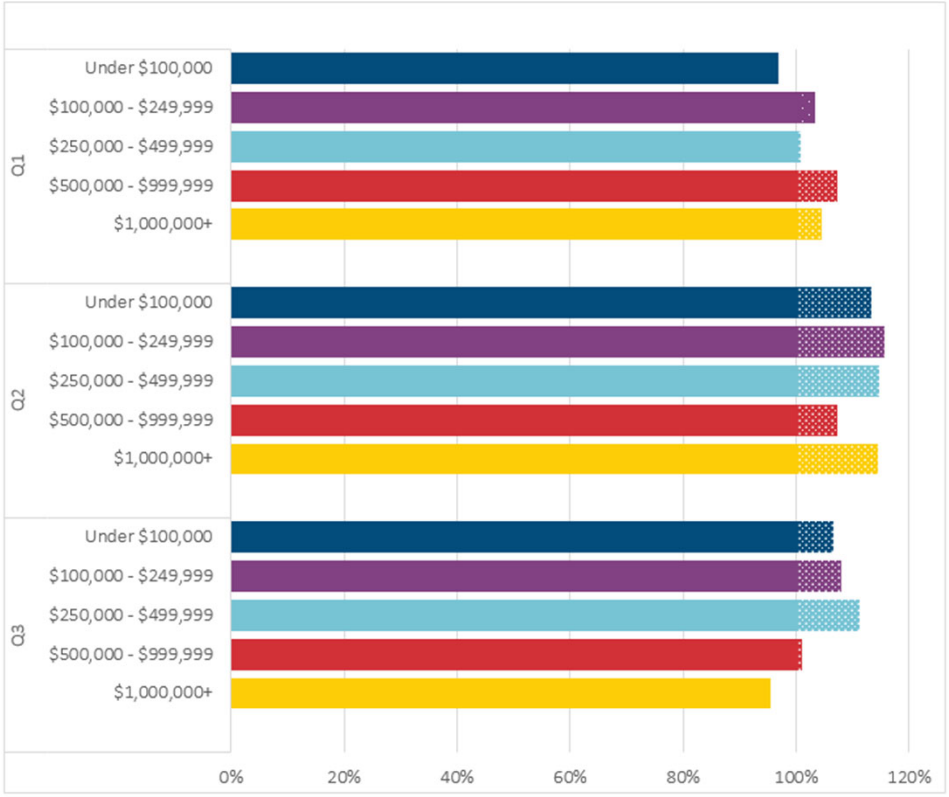
Actual to Expected Relative Mortality Ratios: By Face Amount



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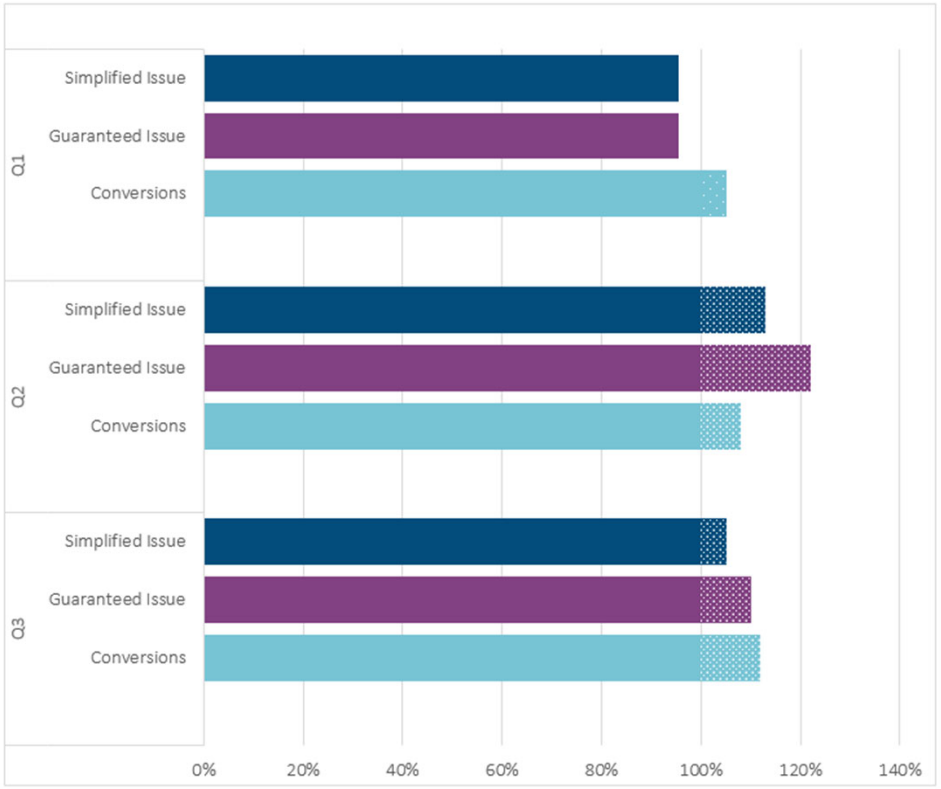
Actual to Expected Relative Mortality Ratios: By Underwriting Type



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Actual to Expected Relative Mortality Ratios: By Geographic Region

Code	Name	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Region 1	Northeast	96%	103%	94%	153%	137%	100%	99%	95%	105%
Region 2	NY-NJ	98%	98%	112%	244%	126%	102%	96%	96%	93%
Region 3	Mid-Atlantic	98%	98%	103%	123%	115%	99%	106%	99%	102%
Region 4	Southeast	95%	99%	103%	107%	103%	102%	118%	119%	110%
Region 5	North Central	96%	94%	99%	118%	105%	106%	103%	106%	106%
Region 6	Texas and surrounding states	93%	94%	101%	108%	102%	103%	121%	113%	110%
Region 7	Plains	100%	90%	95%	99%	103%	104%	108%	108%	101%
Region 8	Northern Plains	104%	96%	95%	114%	103%	100%	95%	96%	110%
Region 9	California+	94%	98%	96%	108%	102%	102%	118%	114%	105%
Region 10	Washington+	98%	100%	101%	99%	92%	106%	106%	101%	109%

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US Population Mortality

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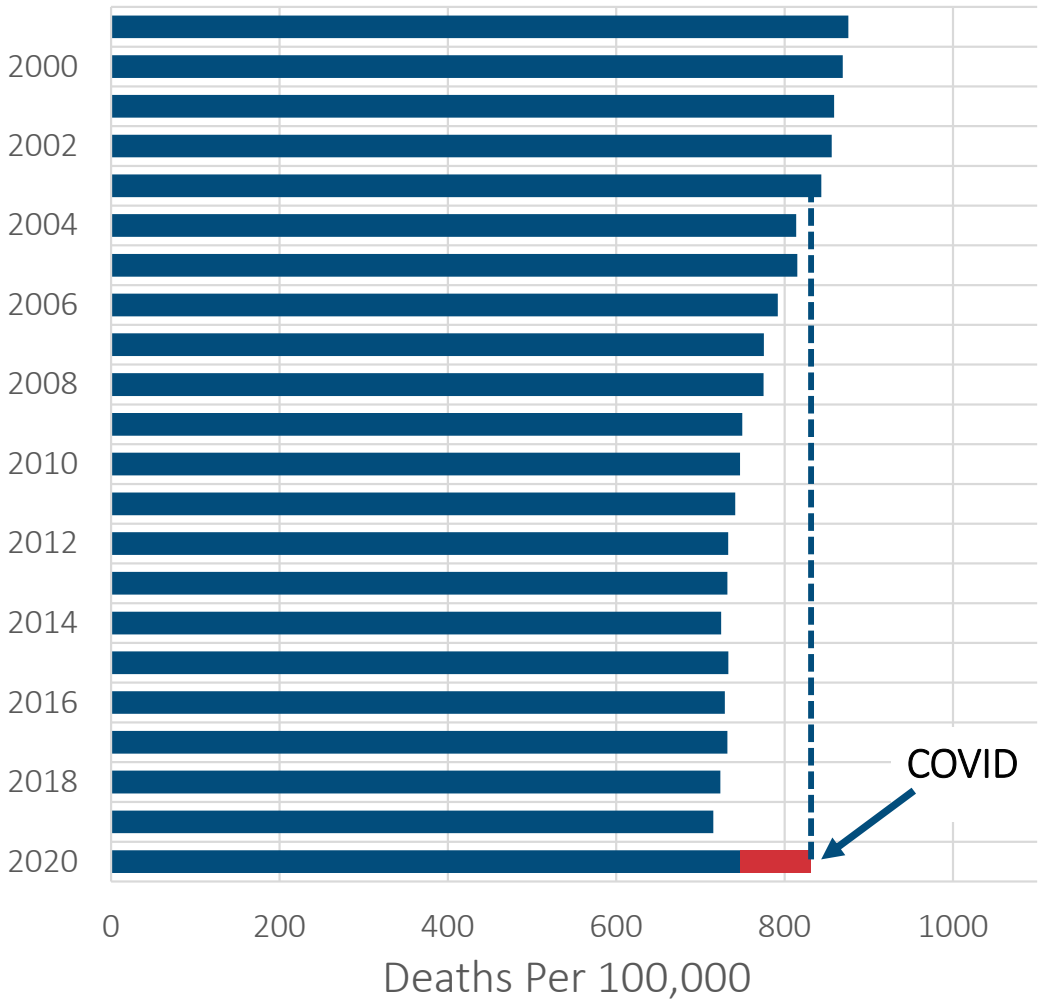
2020 Overall U.S. Population Historical Mortality Rates

- 2020 Mortality Rate = 830.5/100,000 (0.8%)
- 83.6 deaths/100,000 due to COVID
- ★16.1% increase over 2019
- ★2020 highest rate since 2003
- ★Without COVID, increase over 2019 = 4.4%



CDC WONDER; CDC Rapid Release.

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Actual/Expected (A/E) in 2020 U.S. Population

- Compares actual deaths to an expected baseline >>> Actual/Expected or A/E's
- Differs from CDC analysis – by sex and age group
- ★ Ages <5 had lower mortality than expected
- ★ Ages 35-54 highest A/Es for all CODs
- ★ Ages 15-24 had highest A/Es if COVID excluded

	Female		Male	
Age	Total	Excl. COVID	Total	Excl. COVID
< 1	96.2%	96.0%	93.8%	93.4%
1-4	91.5%	90.6%	96.9%	96.1%
5-14	95.8%	94.3%	107.1%	105.7%
15-24	119.0%	115.4%	125.3%	123.2%
25-34	118.7%	112.4%	122.5%	117.9%
35-44	124.0%	114.6%	128.9%	118.8%
45-54	122.8%	110.2%	128.7%	112.9%
55-64	116.4%	102.6%	121.2%	105.3%
65-74	120.4%	103.9%	122.8%	103.7%
75-84	121.2%	103.5%	123.5%	102.7%
> 84	119.5%	102.5%	119.4%	100.4%
All Ages	119.7%	103.7%	122.3%	104.8%

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2020 U.S. Population Mortality Rates by Cause of Death

- Heart COD – largest increase in 20 years. Only other increase was in 2015 = 0.9%.
- Cancer continued its steady improvement.
- Diabetes, liver, hypertension, Parkinson's had large increases
- 'Other' includes accidents, drug overdoses (O.D.), suicides, and assaults

COD	12-month rate ending in quarter	Change over 2019
Accidents	55.3 – Q3	12.1%
Drug O.D.	25.1 – Q2	16.2%
Suicides	13.5 – Q3	(2.9)%
Assaults	7.1 – Q3	18.3%

Cause of Death	2019 Age-Adjusted Mortality Rate	2020 Age-Adjusted Mortality Rate	2019 to 2020 Change in Mortality
Heart	161.5	167.0	3.4%
Cancer	146.2	143.7	-1.7%
COVID	0.0	83.6	∞
Stroke	37.0	38.6	4.3%
Pulmonary	38.2	36.2	-5.2%
Alzheimer's	29.8	32.2	8.1%
Diabetes	21.6	24.6	13.9%
Liver	11.3	13.2	16.8%
Influenza/ pneumonia	12.3	13.0	5.7%
Kidney	12.7	12.7	0.0%
Hypertension	8.9	10.0	12.4%
Parkinson's	8.8	9.8	11.4%
Septicemia	9.5	9.7	2.1%
Pneumonitis	4.7	4.4	-6.4%
HIV	1.4	1.4	0.0%
Other	372.8	397.4	6.6%
Total	715.2	830.5	16.1%

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Additional SOA Life Research

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SOA Experience Studies

Project Name	Objective	Expected Completion Date
2000-2017 Post Level Term Mortality and Lapse - Report	Complete a study of mortality and lapse on term policies in the post level premium period.	Complete. On SOA web site. [1]
2009-16 Individual Life Mortality Study	Complete the next in a series of experience analysis of individual ordinary life insurance mortality.	Complete. On SOA web site. [2]
2018 Variable Annuity Guaranteed Living Benefit Utilization Study	Examine the utilization of guaranteed living benefit options on variable annuity policies under a Joint SOA/LIMRA project.	Complete. On SOA web site. [3]
2020 Excess Deaths in the U.S. General Population by Age and Sex - Update	Update the report on 2020 Excess Deaths in the U.S. with final 2020 data.	Complete. On SOA web site. [4]
2020 U.S. Population Mortality - Preview	Complete an analysis of 2020 U.S. population mortality using the CDC's quarterly rapid release data.	Complete. On SOA web site. [5]
2020 U.S. Population Mortality - Preview - Update	Complete an analysis of 2020 U.S. population mortality using the CDC's quarterly rapid release data.	Complete. On SOA web site. [6]
COVID-19 Individual Life Mortality Study - Experience Study Report - 2020 Q3	Complete a mortality study assessing the impact of COVID-19 on Individual Life Insurance.	Complete. On SOA web site. [7]
Group Life COVID-19 Mortality Survey Update - Report	Complete an update on a mortality study assessing the impact of COVID-19 on Group Life Insurance.	Complete. On SOA web site. [8]
2000-2019 U.S. Historical Population Mortality Rates	Publish unsmoothed SSA-Style historical mortality rates for 2000-2019	8/15/2021
GRET for 2021	Develop the Generally Recognized Expense Table (GRET) for 2022.	8/31/2021
2000-2017 Post Level Term Mortality and Lapse - Machine Learning Report	Draft a report regarding the PLT machine learning analysis that was done; this report will supplement the main report	9/30/2021
Mortality Improvement Survey	Complete a survey to learn how companies are reacting to the slowdown in the level of mortality improvement within the general population.	9/30/2021
2016-18 Fixed Indexed Annuity Study	Examine lapse and the utilization of guaranteed living withdrawal benefit options on fixed index annuity policies under a Joint SOA/LIMRA project and release Tableau visualizations with the observations from the study	10/15/2021
COVID-19 Individual Life Mortality Study - Experience Study Report - 2020	Complete a mortality study assessing the impact of COVID-19 on Individual Life Insurance.	10/15/2021
2011-2015 Deferred Annuity Mortality Study	Examine the mortality experience from 2011-2015 in deferred annuity contracts and release a report with the findings and a database with the experience data.	10/31/2021

[1] https://www.soa.org/resources/experience-studies/2021/us-post-level-term-lapse-mortality/
[2] https://www.soa.org/resources/research-reports/2021/2009-2016-individual-life-insurance-mortality/
[3] https://www.soa.org/research/topics/2018-variable-annuity-guaranteed-living-benefits-utilization/
[4] https://www.soa.org/resources/research-reports/2021/excess-deaths-gen-population/
[5] https://www.soa.org/resources/research-reports/2021/us-population-observations-preview/
[6] https://www.soa.org/resources/research-reports/2021/us-population-observations-preview/
[7] https://www.soa.org/resources/experience-studies/2021/covid-19-life-mortality-study/
[8] https://www.soa.org/resources/experience-studies/2021/group-life-covid-19-mortality/

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SOA Practice Research & Data Driven In-house Research

Project Name	Objective	Expected Completion Date
Complex Model Evaluation	Review existing literatures on GLMs, discuss actuarial standards for using complex models outside of actuary's initial expertise, develop case studies for demonstrating methods of evaluating the validation of complex models.	Complete. On SOA web site. [1]
Consistent Mortality Framework Model	Model and Tool to enable mortality improvement projections across variety of actuarial practice applications.	Complete. On SOA web site. [2]
Deep Learning for Liability-Driven Investments	Explores the possibility of using deep learning and reinforcement learning techniques to improve investment decision-making for pension funds and life insurance companies.	Complete. On SOA web site. [3]
InsurTech White Paper	Write a white paper covering the InsurTech landscape in the US and discuss how actuaries will be impacted.	Complete. On SOA web site. [4]
Managing Investment Risks of Insurance/Annuity Contractual Designs	Develop a framework for quantifying and analyzing various forms of contractual designs and their risk management techniques.	Complete. On SOA web site. [5]
Modelling and Forecasting Cause-of-Death Mortality by Socio-Economic Factors	Develop mortality projection models to analyze and forecast mortality by cause of death and socio-economic factors.	Complete. On SOA web site. [6]
Predictive Analytics for Early Detection of Insurer Insolvency	Develop market-based insolvency prediction model to detect financially distressed insurers at an early stage.	7/19/2021
Human Mortality Database - 2019 Projects	Enhances the Human Mortality Database by focusing on state level mortality tables and expanding causes of death mortality tables for more countries.	7/30/2021
2020 Emerging Risks Survey	Tracks the trends and thoughts of risk managers on emerging risks across time.	8/30/2021
Mortality Improvement Trends Analysis	Identify how mortality improvement varies by driver.	9/30/2021
Obesity Trends and Morbidity and Longevity Impacts	Develop an estimate of the impact of obesity in mortality and morbidity costs in the US and Canada.	10/31/2021

[1] https://www.soa.org/resources/research-reports/2021/interpretable-machine-learning/

[2] https://www.soa.org/resources/research-reports/2021/mortality-improvement-model/

[3] https://www.soa.org/resources/research-reports/2021/liability-driven-investment/

[4] https://www.soa.org/resources/research-reports/2021/insurtech-guide-community/

[5] https://www.soa.org/resources/research-reports/2021/contracutal-designs/

[6] https://www.soa.org/resources/research-reports/2021/modeling-and-forecasting-cause-of-death-mortality-by-socioeconomic-factors/

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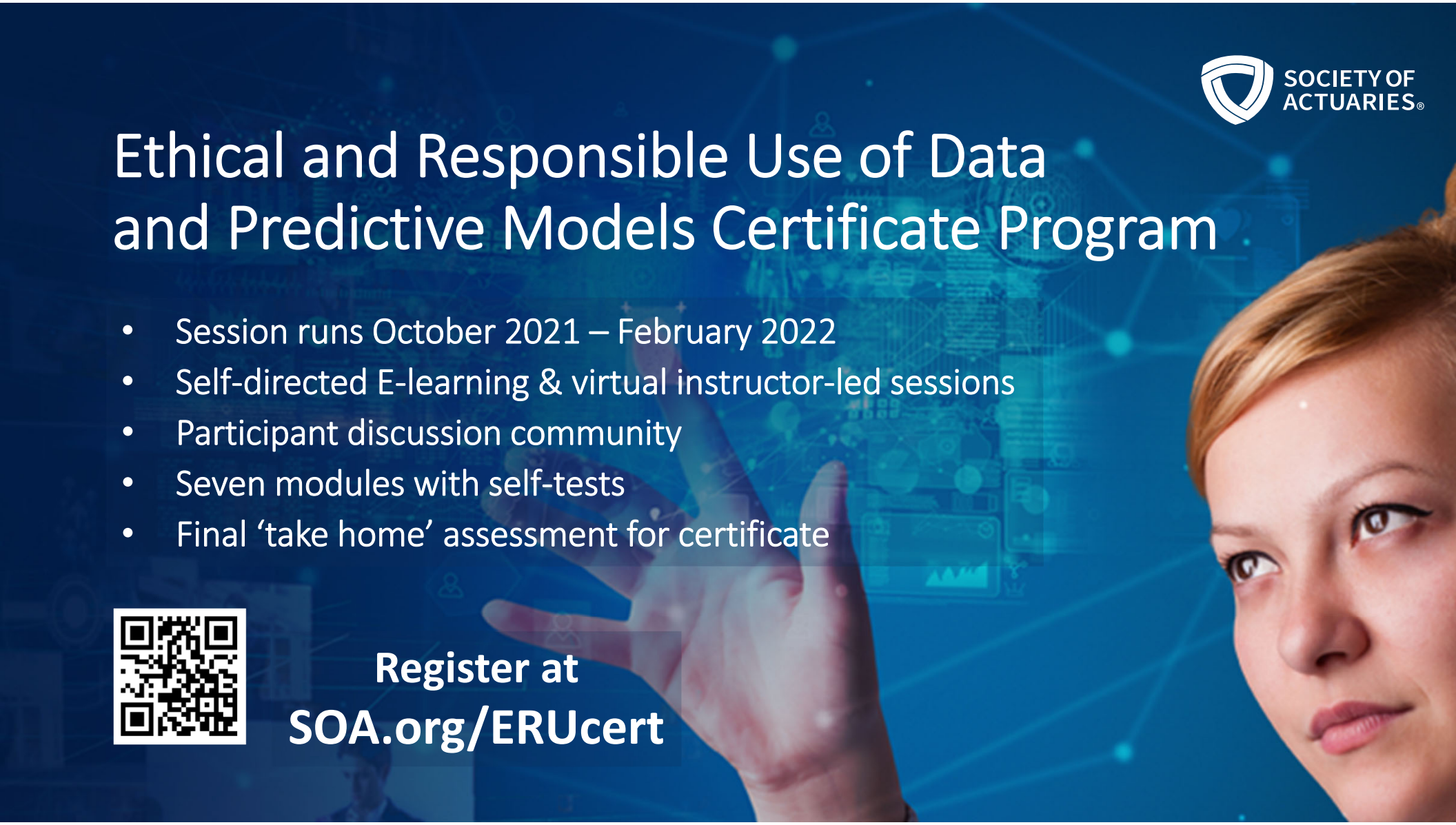

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Questions

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Agenda Item 9

Hear an Update from the American Academy of Actuaries (Academy) Life Practice Council

Life Practice Council Update

Laura Hanson, MAAA, FSA
Vice President

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Life Actuarial Task Force (LATF) Meeting—August 12, 2021

Agenda

- Webinars and Events
- Recent Activities
- Ongoing Efforts
- Academy Officer Candidates

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Webinars and Events

- Recent
  - The Impacts of COVID-19 on the Life Insurance Industry (May 25)
  - Spring 2021 Life Policy Update (May 5)
  - Virtual PBR Boot Camp (June 7-9)

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Webinars and Events (continued)

- Upcoming
  - Summer 2021 Life Policy Update (August-TBD)
  - PBR Regulatory Webinar (September-TBD)
  - Academy Annual Meeting and Public Policy Forum (November 4-5)

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Recent Activities

- Submitted draft VM-22 Framework
- Published annual FAQ on the Academy Interest Rate Generator in conjunction with the Society of Actuaries
- Submitted comments to the NAIC on:
  - Various Amendment Proposal Forms (LATF)
  - C-1 bond factors and C-2 longevity factors (Life Risk-Based Capital [LRBC] Working Group)
  - Exposed 2021 committee charges (Special Committee on Race and Insurance)

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Ongoing Activities

- Provide input on Economic Scenario Generator transition
- Develop VM-22 and C-3 field study for non-variable annuities
- Publish VM-21 Practice Note Addendum
- Provide commentary on mortality improvement discussions
- Recommend C-2 mortality factors

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Ongoing Activities (continued)

- Propose VM-51 data elements
- Publish Life Illustrations Practice Note Addendum
- Publish FAQs on changes to tax reserve calculations and reporting under the federal Tax Cuts and Jobs Act

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Ongoing Activities (continued)

- Provide public policy analysis on:
  - The use of annuities in retirement plans, including changes as a result of the federal SECURE* Act
  - The use of data and algorithms in risk classification and underwriting
  - Efforts to promote diversity and inclusion in the actuarial profession and in life insurance products

* Setting Every Community Up for Retirement Enhancement

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Academy Officer Candidates

- Slate of Incoming Vice Presidents*
  - Ben Slutsker, Life
  - Seong-min Eom, Risk Management and Financial Reporting

* Academy vice presidents serve two-year terms. Per the Academy's bylaws, the officer slate will be voted on by the Board at its annual meeting in October. Terms for all new Board members will begin in November at the completion of the Academy's Annual Meeting.

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Thank You

- Questions?
- For more information, please contact the Academy's life policy analyst, Khloe Greenwood, at greenwood@actuary.org.

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Agenda Item 10

Discuss Any Other Matter Brought Before the Task Force