Draft Pending Adoption

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Life Actuarial (A) Task Force
Virtual Summer National Meeting
August 3–6, 2020

The Life Actuarial (A) Task Force met via conference call Aug. 3, Aug. 4 and Aug. 6, 2020. The following Task Force members participated: Kent Sullivan, Chair, represented by Mike Boerner (TX); Jillian Froment, Vice Chair, represented by Peter Weber (OH); Jim L. Ridling represented by Steve Ostlund (AL); Ricardo Lara represented by Perry Kupferman (CA); Michael Conway represented by Eric Unger (CO); Andrew N. Mais represented by Wanchin Chou and Jim Jakielo (CT); Doug Ommen represented by Mike Yanacheak (IA); Robert H. Muriel represented by Bruce Sartain and Vincent Tsang (IL); Stephen W. Robertson represented by Karl Knable (IN); Vicki Schmidt represented by Nicole Boyd (KS); Steve Kelley represented by Fred Andersen and John Robinson (MN); Chlora Lindley-Myers represented by William Leung (MO); Bruce R. Ramge represented by Rhonda Ahrens (NE); Marlene Caride represented by Seong-min Eom (NJ); Russell Toal represented by Mark Hendrick (NM); Linda A. Lacewell represented by Bill Carmello (NY); Glen Mulready represented by Andrew Schallhorn (OK); Todd E. Kiser represented by Tomasz Serbinowski (UT); and Scott A. White represented by Craig Chupp (VA). Also participating was: Rachel Hemphill (TX).

1. Adopted its June 25, June 18, June 11, June 4, May 28, May 21, May 14 and May 7 Minutes

The Task Force met June 25, June 18, June 11, June 4, May 28, May 21, May 14 and May 7 and took the following action: 1) adopted its Feb. 27, Feb. 20, Feb. 13, Feb. 6, Jan. 30 and Jan. 23 minutes; 2) adopted changes to the *Standard Nonforfeiture Law for Individual Deferred Annuities* (#805); 3) adopted amendment proposal 2020-05, which modifies the net premium reserve (NPR) to reflect continuous deaths and immediate payment of claims; 4) adopted *Actuarial Guideline XLIX-A—The Application of the Life Illustrations Model Regulation to Policies with Index-Based Interest to Policies Sold After November 25, 2020* (AG 49-A); 5) adopted amendment proposal 2020-06, which establishes a process for replacing the London Interbank Offered Rate (LIBOR); 6) adopted amendment proposal 2020-07, which modifies VM-02, Minimum Nonforfeiture Mortality and Interest, of the *Valuation Manual* by replacing the fixed 4% floor for the nonforfeiture interest rate used to determine the minimum funding for the cash value accumulation test in Internal Revenue Code Section 7702.

Mr. Ostlund made a motion, seconded by Mr. Kupferman, to adopt the Task Force's June 25 (Attachment One), June 18 (Attachment Two), June 11 (Attachment Three), June 4 (Attachment Four), May 28 (Attachment Five), May 21 (Attachment Six), May 14 (Attachment Seven) and May 7 (Attachment Eight) minutes. The motion passed unanimously.

2. Heard an Update on the YRT Field Test

Jason Kehrberg (American Academy of Actuaries—Academy) said the Academy initially commented in November 2017 on the potential occurrence of issues when projecting rates for yearly renewable term (YRT) reinsurance premiums under VM-20, Requirements for Principle-Based Reserves for Life Products, of the *Valuation Manual*. He said the letter noted the possibility of companies having differing interpretations of how to perform the modeling. He said the Task Force subsequently asked the Academy to conduct a field test on the different ways that companies might be modeling YRT reinsurance premiums. In response, the Academy put together a project oversight group (POG), comprising industry members and state insurance regulators. The POG established a design subgroup to develop instructions for testing different potential long-term solutions to the issue of projecting YRT premiums. Mr. Kehrberg said soon after the start of the design subgroup process, Oliver Wyman was engaged to put together a model office to provide oversight for the field testing of the potential YRT solutions.

Chris Whitney (Oliver Wyman) provided an overview of the YRT field test and interpretation survey presentation (Attachment Nine). He said a representative principle-based reserving (PBR) model was developed with the goal of providing early insights into the drivers for the variabilities and the impact that reinsurance has on PBR. He said initial insights from the model were shared last year while the industry field test and interpretation survey were being designed. He said the field test has since been conducted by the Academy. He said Oliver Wyman then partnered with the Academy and the NAIC to: 1) expand the granularity of the analysis dimensions and the model based on observations from field test participants; 2) use the PBR model to confirm and explain the results of the field test and perform some additional analysis based on responses to the interpretation survey; and 3) develop the report, including establishing some broad key takeaways and insights for the analysis. He said the report, in conjunction with the Academy report that summarizes the field test responses, provides additional clarity on the impact that the proposed solutions and interpretations of those solutions might have on company results. He noted that the PBR model is available for any additional analysis the Task Force may need to decide on a potential solution.

Jennifer Frasier (NAIC) provided a review of the proposed solutions in amendment proposal 2019-40, amendment proposal 2019-41, and amendment proposal 2019-42. She said the three proposals can respectively be associated with principles, best estimates and prescribed margins. Dylan Strother (Oliver Wyman) discussed the field test results and analysis. He said the field test instructions requested that participating companies submit point in time and projected reserve results for term or universal life with secondary guarantee (ULSG) products. Companies were required to submit results using a baseline scenario applying the interim solution (1/2 c_x) and each of the three scenarios proposed in the amendment proposals. While numerous companies were invited to participate in the field test, the sophistication of the modeling, the extensive analysis, and some resource constraints limited the number of participants to 11 entities. Mr. Strother said the number was sufficient to do the required analysis and comparison to the representative PBR model. He noted that the distribution of companies in the field test was a good representation of company sizes, credibility assumptions and mortality assumptions across the industry. The field test submissions were used to refine the granularity in the places that were identified as the most significant drivers. Those drivers were the mortality, reserves and the properties of reinsurance. Mr. Strother said the biggest driver of the variation in results was the relationship between current scale of rates and anticipated mortality. He said two credibility scenarios for the representative model were also selected. He reviewed the results from each of the three amendment proposals under the baseline assumptions and the proposed action scenarios. Mr. Tsang asked if any of the participating companies expressed a preference for one of the three amendment proposals. Scott O'Neal (NAIC) said while no company expressed a preference for a specific proposal as the winning solution, some companies did note how they would implement a particular proposal or which actions may require additional work or potential model enhancements. Jeffrey L. Johnson (John Hancock) said a comment letter was submitted prior to commencement of the field test that stated a preference for amendment proposal 2019-42. Leonard Mangini (Academy) asked if the results of amendment proposal 2019-41 reflect a lack of understanding of the proposal. Mr. Strother said the proposals may require rewording. Mr. Jakielo asked why the baseline did not include mortality improvement. Mr. O'Neal said the observed company rates were more favorable than the rates reflecting mortality improvement. Alice Fontaine (Fontaine Consulting) said in amendment proposal 2019-40, Action C and Action D were suggestions of formulaic approaches representing how companies might decide when to change the rates in their model. She said using the formulaic approach was expected to be more informative than allowing a company to use only its judgment.

Mr. O'Neal said the range of interpretation survey, conducted by the Academy with support from Oliver Wyman, was designed to gather information on how companies would interpret the different proposed solutions for modeling non-guaranteed YRT reinsurance under PBR. The survey was intended to increase the level of participation above that observed in the field study and to use the additional responses to generalize across the industry. Mr. O'Neal said the survey was designed to capture most of the potential company responses and interpretations using predefined choices. For responses that were outside of the predefined choices, written descriptions could be provided in the "other" category. Companies were asked to complete a survey for each YRT treaty that had a separate modeling approach. Mr. O'Neal said 36 separate groups of direct writers and reinsures submitted 51 separate survey responses. He discussed the slides, providing data on reinsurers' actions taken in response to the various proposed options. He noted that if a company chose the "other " option and the survey reviewer felt the description of the company action was close to a predefined option category, the company would be asked to consider mapping the response to the predefined category. He discussed the results based on the three amendment proposals. He said all the models assume mid-year issue dates, a single neutral YRT scale developed from the field study, and a single high credibility mortality scenario. He noted that ULSG used a neutral rate scale with zero first year premium, followed by renewal premiums determined using a 95% factor applied to company best estimate mortality without any allowance for future mortality improvement. Mr. Boerner asked why the graph of the pre-reinsurance deterministic reserve for term insurance model of amendment proposal 2019-40 results shows a dip. Mr. Strother said it is possibly due with the discount rate and some of the asset mechanics related to revaluing. Mr. Whitney said they will check to confirm that that is the case. After reviewing the survey results for the three proposed amendment proposals, Mr. O'Neal directed participants to page 38 of the presentation for the list of key takeaways.

Katie van Ryn (Oliver Wyman) discussed the evaluation of the impact on the deterministic reserve under these different amendment proposals. She said no reinsurers participated in the field test. She said the range of interpretation survey was used to provide insight into how reinsurers would handle the various proposals and to investigate the total reserve impact between the ceding and assuming companies. The results from the five reinsurers that participated in the range of interpretation survey were the basis for the analysis. Ms. van Ryn said a key observation is that differing modeling approaches between the ceding and assuming companies can result in differences between the reserve credit and the assumed reserve. Mr. Strother said slide 45 provides the dimensions on which the field test results can be compared. He reiterated that the intent of the presentation is not to recommend a solution but to provide the dimensions on which the decision can hinge. Mr. Boerner said a follow up call will be scheduled to allow Oliver Wyman to respond to further questions.

2. Exposed Revisions to Model #805

On its June 11 call, the Task Force adopted a revision to Model #805 (Attachment Ten) that sets the floor for the interest rate used to determine minimum nonforfeiture to 0%. The revision was held by the Task Force in anticipation of the approval of a Request for NAIC Model Law Development for changes to Model #805. The Life Insurance and Annuities (A) Committee adopted the Request for NAIC Model Law Development July 10. The Executive (EX) Committee will consider adoption of the Request for NAIC Model Law Development Aug. 13. Mr. Boerner said on July 10, the Life Insurance and Annuities (A) Committee asked the Task Force to consider a minimum nonforfeiture rate between 0% and 1%. He said the Request for NAIC Model Law Development is written to allow consideration of the request. He said suggestions for removing the 3% cap applicable to the minimum nonforfeiture rate or revising the redetermination provision would be outside the scope of the Request for NAIC Model Law Development. Brian Bayerle (American Council of Life Insurers—ACLI) discussed the ACLI comment letter (Attachment Eleven) supporting the 0% floor for the minimum nonforfeiture interest rate. He said the rate on five-year U.S. Department of the Treasury (Treasury Department) notes and 10-year Treasury Department notes were respectively 21 basis points (bps) and 55 bps on July 31. He said the rates are historically low, making it difficult for companies to support a 1% guarantee. He said maintaining an unsupportable rate is a risk to the continued availability of deferred annuity products for consumers. Liz Pujolas (Insured Retirement Institute—IRI) said the IRI comment letter (Attachment Twelve) concurs with the need for the 0% floor. She said IRI is willing to work to get the Model #805 changes adopted at the state level. Mr. Leung asked for information on the reasoning behind adoption of the 1% floor. Mr. Bayerle said he would do research and provide a response for the next Task Force discussion on the issue. Mr. Carmello said he recalls that at the time, a 1% floor was not a significant issue. He suggested that in the current economic situation, companies may not want to increase surrender charges to maintain profitability. Mr. Bayerle said companies have a limited number of options available in lieu of having a lower rate. Mr. Carmello said the New York Department of Financial Services favors a rate higher than 0%. He said the thought that a company could have a 0% crediting rate is not palatable. Mr. Bayerle said the minimum nonforfeiture rate floor affects only the guaranteed rate, not the crediting rate. He said competitive market pressures will keep the crediting rate above 0%, and it will drive rates up as the interest environment improves. Mr. Leung suggested that because the company credits interest on only 87.5% of the annuity premium, the minimum nonforfeiture rate floor might not need to be as low as 0%. Mr. Bayerle said the ACLI will consider that suggestion. Mr. Ostlund asked for examples of the minimum nonforfeiture values under various interest scenarios. Mr. Bayerle agreed to consider the request. Mr. Robinson asked what the implication might be for indexed annuities. Sheldon Summers (Claire Thinking Inc.) said the rates for indexed annuities still fall between the 1–3% range. He said there would be no immediate effect on indexed annuities. Jeanne Daharsh (Interstate Insurance Product Regulation Commission—Compact) said state adoption of a revised Model #805 is not required for filings under the Compact. She said the Compact Uniform Standard requires only NAIC adoption. Mr. Boerner asked what if a compacting state has a higher standard in their law. Ms. Daharsh said a state could opt out of the Uniform Standards, but that has never happened for annuities.

After the close of the session, the chair released an exposure of Model #805 that provided four options for the minimum nonforfeiture interest rate, 0.15%, 0.25%, 0.35% and 0.5% for a 21-day public comment period ending Aug. 25.

3. Adopted the Minutes of the VM-22 (A) Subgroup

Mr. Hendrick made a motion, seconded by Mr. Weber, to adopt the VM-22 (A) Subgroup's July 15 (Attachment Thirteen), July 1 (Attachment Fourteen), June 11 (Attachment Fifteen) and May 20 (Attachment Sixteen) minutes. The motion passed unanimously.

4. Heard an Update from the Academy ARWG

Ben Slutsker (Academy Annuity Reserves Work Group—ARWG) introduced the ARWG presentation (Attachment Seventeen) on elements of the framework for fixed annuity PBR. He said the objective is to propose a new statutory reserve methodology for fixed annuities that uses an actuarial framework to determine reserves based on the level and type of risk inherent in the contract. The four main pillars of the ARWG objective are: 1) appropriate reflection of risk; 2) comprehensive accounting for all material risks; 3) consistent application across similar products; and 4) practicality and appropriateness of the methodology. Mr. Slutsker said the recent revisions to VM-21, Requirements for Principle-Based Reserves for Variable Annuities, will be the starting point for development of the new fixed annuity framework. The target effective date for the new framework is January 2023. Chris Conrad (ARWG) said the ARWG recommends that the framework scope cover both payout and deferred annuity contracts, for individual and group business. The scope for deferred annuities will include most of the account value-based annuities, such as single and flexible premium deferred annuities, multi-year guarantee annuities, fixed indexed annuities, two-tiered annuities, and riders on fixed annuity contracts. The scope for payout annuities will include single premium immediate annuities, deferred income annuities, pension risk transfer, and structured settlement contracts. Mr. Conrad said

guaranteed investment contracts, synthetic stable value contracts, and funding agreements are not be included in the scope of products covered by the new framework.

John Miller (ARWG) said exclusion tests will be developed to allow products with less risk to continue using the current requirements. He said the exclusion test calibration has not been set. He said field tests being conducted by Willis Towers Watson will help determine the appropriate ratio for the exclusion test. He said that use of the exclusion test will be voluntary.

Mr. Conrad said the ARWG recommendation is to have reinvestment assumptions consistent with the current VM-22, Statutory Maximum Valuation Interest Rates for Income Annuities, investment quality percentage allocation, which is reflective of industry experience. He said other asset assumptions should be consistent with VM-20 and VM-21, as appropriate. Mr. Miller said the ARWG recommends allowing aggregation across contracts consistent with the risks inherent in the products and how the risks are managed. He said consistent aggregation principles should be applied for stochastic processes and exclusion tests. Mr. Slutsker said the ARWG has discussed the question of application of the new framework to in force business. He said the ARWG believes that there is merit to applying the framework to all in force business regardless of issue date.

5. Adopted the VM-22 Subgroup Report

Mr. Sartain said half of the Subgroup calls were used to discuss the issues presented by the ARWG. He said the remaining time was spent talking about the standard projection amount. He said the thought is to use the VM-21 standard projection amount, appropriately modified for fixed annuities. He said discussion of whether the standard projection amount will be used as a floor will occur later. He said the Subgroup recommendations to the Task Force are to accept the scope proposed by the ARWG and to instruct the ARWG to continue working on an exclusion test. He said the Subgroup does not have a current recommendation on aggregation. Task Force members voiced no objection to the two recommendations. Mr. Carmello did state a preference for retaining the current requirements as a floor. Ms. Hemphill noted that as the exclusion test is developed, thought must be given to the relationship of the thresholds to company materiality standards. Mr. Sartain said the discussion of the application of the new framework to in force business was a low priority for the Subgroup. He said the Subgroup tabled its discussion of aggregation until the ARWG work is complete. He said the Subgroup has no recommendation on the reinvestment guardrails or the standard projection amount/floor issue.

Mr. Sartain made a motion, seconded by Ms. Ahrens, to adopt the report of the VM-22 (A) Subgroup. The motion passed unanimously.

6. Heard an Update from the Compact

Ms. Daharsh provided an update on the activities of the Compact. She said the officers of the Compact Commission and the Compact Management Committee will meet Aug. 14 to receive comments on and consider adoption of proposed guidelines on committee composition and application criteria for the Consumer Advisory Committee. She said the Compact Commission will hear the reports of the Governance Committee on two projects, governance review, and the business structure.

Ms. Daharsh said the Product Standards Committee began reviewing comments from the ACLI regarding amendments to the additional standards for waiver of premium and waiver of monthly deduction standards. The key purpose of the amendment is to expand the trigger for waiver benefits beyond total disability. The Committee is also working on an additional standard for a waiver of surrender charge for life insurance.

Ms. Daharsh said the Compact has received 690 filings through October, of which 656 have been approved. Those numbers are down 20% compared to last year. She said the average wait time for review of a filing is 20 days, compared to 33 days last year. The median number of states on a Compact filing is 43. The number of mix-and-match filings has continued to decrease and now comprises 26% of filings. She said 54% of the filings are for life products, 33% of the filings are for annuity products, and most of the remaining filings are for long-term care (LTC) and disability income. She said the newest uniform standard to become effective is the group annuity standards. Three group annuity filings have been received.

Ms. Daharsh said the Compact actuaries are monitoring Task Force activities related to Model #805. She noted that the Compact uniform standards for deferred annuities refer to any model and changes to the model as effective immediately and available for Compact filing once adopted by the NAIC. She said state adoption of the model is not required for Compact filings. Mr. Robinson asked for further information on why state adoption for Model #805 is not required. Mr. Weber said states joining the Compact agree to allow the Compact standards to supersede state requirements.

7. Adopted the Report of the Longevity Risk (E/A) Subgroup

Ms. Ahrens said the Subgroup has not met since the 2019 Fall National Meeting. She said the Life Risk-Based Capital (E) Working Group was finalizing plans to implement longevity risk factors for risk-based capital (RBC) C-2 risk. The plans have been delayed until an impact study can be completed. The impact study for the factors is planned for early next year. She said work is being done on longevity risk transactions that are unlike payout annuities. These transactions call for future premium collection, with the reinsurer absorbing the longevity risk. The ceding company holds zero reserves and the assuming company holds near zero reserves at inception,therefore, producing near zero longevity risk. She said only a few companies are engaging in these transactions. A regulator-only call will be planned to discuss those transactions.

Ms. Ahrens made a motion, seconded by Mr. Kupferman, to adopt the report of the Longevity Risk (E/A) Subgroup. The motion passed unanimously.,

8. Adopted the Report of the GI Life Valuation (A) Subgroup

Ms. Ahrens said the Subgroup did not meet during the spring or summer. She said previous discussions favored developing a PBR approach for guaranteed issue (GI) mortality. She suggested that *Actuarial Guideline XLIV—Group Term Life Waiver of Premium Disabled Life Reserves* (AG 44) could provide guidance. She asked if the target date for completion of the Subgroup charge could be extended. Mr. Boerner said Ms. Ahrens should make a recommendation for a revised target date to the Task Force prior to the deadline for submitting 2021 charges.

Ms. Ahrens made a motion, seconded by Mr. Ostlund, to adopt the report of the GI Life Valuation (A) Subgroup. The motion passed unanimously.

9. Adopted the Report of the Experience Reporting (A) Subgroup

Mr. Andersen said an exposure of additional elements related to accelerated underwriting for VM-51, Experience Reporting Formats, will be considered after the initial transition of the NAIC becoming the statistical agent. He said the Subgroup plans to have calls during the next quarter regarding actuarial aspects of accelerated underwriting, specifically an update on how well accelerated underwriting is predicting mortality in comparison to traditional underwriting. He said the Subgroup will also look to study experience for variable annuities with guarantees.

Mr. Andersen made a motion, seconded by Ms. Ahrens, to adopt the report of the Experience Reporting (A) Subgroup. The motion passed unanimously.

10. Adopted the Report of the IUL Illustration (A) Subgroup

Mr. Weber made a motion, seconded by Mr. Chou, to adopt the IUL Illustration (A) Subgroup's June 2 (Attachment Eighteen) and May 26 (Attachment Nineteen) minutes. The motion passed unanimously.

Mr. Andersen said the Life Insurance and Annuities (A) Committee adopted AG 49-A. The Executive (EX) Committee and Plenary will consider the guideline for adoption on Aug. 14. Mr. Andersen briefly summarized that in late 2018, the Life Insurance and Annuities (A) Committee became aware of index product innovations that were leading to illustrations with higher credited rates than contemplated when the original guideline was developed. He said one of the major innovations was the multiplier. The Task Force was charged with addressing the concerns regarding product features. The charge was assigned to the Subgroup. To address the concerns, the Task Force instructed the Subgroup to add conservatism to the constraints of illustrated credited rates instead of focusing solely on disclosures. The Subgroup was also told to allow products with multipliers to illustrate no more favorably than products without multipliers and to reduce by half the illustrated benefit of borrowing at a certain rate and illustrating at a higher rate. These decisions were reflected in the guideline that was adopted.

Mr. Andersen said a general concept behind these issues is selecting a point on the spectrum of allowing innovation and preventing loopholes. He said AG 49-A ended up somewhere in the middle. He said while it is significantly more conservative than the existing guideline, it still provides guidance aligned with the *Life Insurance Illustrations Model Regulation* (#582). He said if after observing the results and practices following adoption of AG 49-A, there remain substantial concerns about unrealistic illustrations, the Committee will need to consider changes to Model #582.

Mr. Andersen made a motion, seconded by Mr. Yanacheak, to adopt the report of the IUL Illustration (A) Subgroup's. The motion passed unanimously.

11. Exposed Amendment Proposal 2019-33

Mr. Boerner said amendment proposal 2019-33 was previously exposed for public comment. He said the Academy Life Reserves Work Group (LRWG) has revised the proposal to respond to comments from the ACLI (Attachment Twenty), Mr. Chupp (Attachment Twenty-One) and Mr. Robinson (Attachment Twenty-Two). Mary Bahna-Nolan (LRWG) said the amendment proposes to bring into scope a group insurance product that has attributes of individualized products that should be subject to VM-20. She said because the product is usually filed under a group chassis, it is generally being excluded from VM-20 requirements. She said in response to the comment letters, the following changes were made: 1) the amendment was modified to more clearly define the policies it covers so that true group insurance business would not be swept in; 2) VM-51 was modified to accommodate a certificate number and add an individual/group indicator; and 3) a clarifying edit was made to the language format. She recommended that the Task Force proceed with the proposal. Mr. Weber asked if the premiums for these products are easily identified in the annual statement blank. Ms. Bahna-Nolan said the premiums are not separated, and a request to the Blanks (E) Working Group may be necessary. Mr. Robinson said a group contract number data element should also be added to VM-51. Ms. Bahna-Nolan agreed that the field should be added.

Mr. Leung made a motion, seconded by Mr. Robinson, to expose amendment proposal 2019-33 (Attachment Twenty-Three), including the suggested edits, for a 60-day public comment period ending Oct. 5. The motion passed unanimously.

12. Exposed Amendment Proposal 2020-03

Ms. Hemphill said amendment proposal 2020-03 clarifies that the NPR can be calculated using the mean or mid-terminal method, or it can also be calculated using a more direct method. She said since its previous exposure, the language in the proposal has been aligned with the language in the *Accounting Practices and Procedures Manual* (AP&P Manual).

Mr. Chou made a motion, seconded by Mr. Weber, to expose amendment proposal 2020-03 (Attachment Twenty-Four) for a 21-day public comment period ending Aug. 25. The motion passed unanimously.

13. Exposed Amendment Proposal 2019-34

Mr. Robinson said the amendment proposal seeks to clarify the asset adequacy requirements for modified coinsurance (mod-co) business. He said because the mod-co agreement is structured such that the ceding company holds the reserves while the assuming company is responsible for the liability, there are challenges in holding either company responsible for cash-flow testing. He said the amendment clarifies that cash-flow testing is the responsibility of the ceding company, regardless of whether the liability has been ceded to a reinsurer. Mr. Carmello suggested that the amendment should be expanded to include other forms of reinsurance, such as funds withheld.

Mr. Robinson made a motion, seconded by Ms. Ahrens, to expose amendment proposal 2019-34 (Attachment Twenty-Five) for a 45-day public comment period ending Sept. 18. The motion passed unanimously.

14. Exposed the 2021 GRET

Dale Hall (Society of Actuaries—SOA) discussed the 2021 Generally Recognized Expense Tables (GRET) presentation (Attachment Twenty-Six). He noted that the SOA has also supplied a letter (Attachment Twenty-Seven), which provides a deeper overview of the methodology. He said there are no material changes in the process as compared to past years. He said the methodology attempts to minimize large jumps from one year to the next. He noted that the number of companies in the study decreased from 326 to 292. He attributed the decrease to companies no longer meeting the criteria for inclusion.

Mr. Leung made a motion, seconded by Mr. Weber, to expose the 2021 GRET for a 21-day public comment period ending Aug. 25. The motion passed unanimously.

15. Heard an Update on SOA Research and Education

Mr. Hall provided a presentation (Attachment Twenty-Eight) identifying recent and upcoming topics of possible interest to state insurance regulators of life insurance. He said most of the SOA research team's recent work is related to COVID-19 topics crossing all areas of practice. He said the pandemic has had an impact on claims, assets, interest rates, operational risk and underwriting. He listed a few COVID-19 related references available on the SOA website. He said studies are under way that will provide information on the COVID-19 impact on insured life claims. He specifically noted a group life claim study that will allow comparisons of 2020 group life death claims to group life death claims for 2018 and 2019. He said the study is not

limited to COVID-19 claims, and it will also include death trends, such as suicide and accidental deaths. He pointed out a few other life insurance studies focusing on how companies are looking at mortality, modeling, new business practices, and asset/ liability management, considering the low interest environment.

16. Exposed the 2020 Life Mortality Improvement Scale Recommendation

Marianne Purushotham (Joint Academy/SOA Life Mortality Improvement Subgroup) discussed a presentation (Attachment Twenty-Nine) on the 2020 mortality improvement scale recommendation. She said the objective of the mortality improvement updates is to address the incorporation of mortality improvement allowed in VM–20 Section 9.C.3.g. She said the mortality improvement scale is based on an average of historical data and data based on forecasted expectations, which is then smoothed to yield the mortality improvement scale. She said for 2020, there has been much discussion of how shocks, like the COVID-19 pandemic, affect the historical mortality improvement scale. She said the Subgroup decided to treat shocks as capital planning events, as opposed to treating them as impacts to reserves. Among the considerations leading to the decision for 2020 are: 1) the lack of sufficient data to understand the COVID-19 shock; 2) that reflecting a shock is inconsistent with the goals of the mortality improvement goal updates; and 3) avoiding the setting of a precedent for other excess mortality events. She said while the 2020 mortality improvement will not include an impact for the pandemic, pandemic deaths will be included in historical average used in the 2022 mortality improvement scale; but its effect will be smoothed. She said COVID -19 issues to be considered in the future are whether its impact on the insured population will be similar to its impact on the general population and what, if any, will be its long-term impact on mortality improvement rates.

The Task Force agreed to expose the 2020 Life Mortality Improvement Scale Recommendation for a 21-day public comment period ending Aug. 25 without objection.

17. Heard an Update from the Academy PBR Governance Work Group

Donna Claire (Academy PBR Governance Work Group) gave a presentation (Attachment Thirty) on PBR resources available from the Academy. She said the Academy is surveying appointed actuaries to get information on the impact of COVID-19 on 2020 year-end asset adequacy testing, including assumptions for mortality, lapses, interest rates, and long-term care (LTC). The white paper generated from the survey is expected to be available in September. Ms. Claire said the Academy Variable Annuity Reserves and Capital Work Group released a VM-21 checklist on Aug. 3. The checklist details the items to consider when determining variable annuity reserves and capital. Ms. Claire said the Academy PBR practice page on the Academy website provides the PBR toolkit, Academy comments on PBR, links to NAIC PBR resources, and Academy publications on PBR. She noted that the *Life Principle-Based Reserves Under VM-20* practice note has been updated to reflect the 2020 *Valuation Manual*. She also highlighted the PBR Qualification Standard on the webpage. She said the Boot Camp will be virtual. Information is available on the Academy website. Another publication referenced by Ms. Claire is the PBR analysis template.

18. Heard an Update from the Academy Council on Professionalism

Shawna Ackerman (Academy) said the Academy has COVID-19 resources available on its website, including links to federal rules and regulations, congressional resources, Academy resources, and the NAIC Coronavirus Resource Center. Kathy Riley (Academy) said the Actuarial Standards Board (ASB) met in June to review the second exposure draft of *Actuarial Standard of Practice (ASOP) No. 2—Nonguaranteed Elements for Life Insurance and Annuity Products*. The comment period closes on Nov. 13. Ms. Riley said the comment period for the second exposure draft for *ASOP No. 22—Statements of Opinion Based on Asset Adequacy Analysis by Actuaries for Life or Health Insurers* ends on Nov. 30. She said the comment period for the first exposure draft of *ASOP No. 11—Financial Statement Treatment of Reinsurance Transactions Involving Life Insurance or Health Insurance* ended June 30. Comments on ASOP No. 11 will be reviewed by the ASB in December. She said *ASOP No. 56—Modeling* has been released, and it is effective for work done on or after Oct. 1. Godfrey Perrott (Academy) said the Actuarial Board for Counseling and Discipline (ABCD) received 72 requests for guidance (RFG). He said one general RFG asked whether Precept 1, covering integrity and honesty, applies only to actuarial work or applies to all activities. He said the answer is that it applies to all activities. He said Precept 13 requires Academy members to report material violation of the code if they cannot correct it.

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

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