

MEMORANDUM

TO: Rachel Hemphill, Chair of the Life Actuarial (A) Task Force
Craig Chupp, Vice-Chair of the Life Actuarial (A) Task Force

FROM: Dale Bruggeman, Chair of the Statutory Accounting Principles (E) Working Group
Kevin Clark, Vice-Chair of the Statutory Accounting Principles (E) Working Group

DATE: March 27, 2023

RE: SAPWG Referral for Negative Interest Maintenance Reserve (IMR)

During the 2023 Spring National Meeting, the Statutory Accounting Principles (E) Working Group held a detailed discussion on the potential to permit admittance of negative interest maintenance reserve (IMR). The Working Group discussed the potential for both a 2023 solution and a long-term solution. With this discussion, the Working Group recommended continued engagement with the Life Actuarial (E) Task Force with a referral for consideration of the Asset Adequacy Testing (AAT) implications of negative IMR.

Specifically, the Working Group recommended a referral to the Task Force to consider the following:

1. Development of a template summarizing how IMR (positive and negative) is reflected within AAT.
2. Consideration of the actual amount of negative IMR that is to be used in AAT, noting that as negative IMR is included, there is a greater potential for an AAT liability.
3. Better consideration and documentation of cash flows within AAT, as well as any liquidity stress test considerations.
4. Ensuring that excessive withdrawal considerations are consistent with actual data. (Insurers selling bonds because of excess withdrawals should not use the IMR process.)
5. Ensuring that any guardrails for assumptions in AAT are reasonable and consistent with other financial statement / reserving assumptions.

The Working Group appreciates your time and partnership in assessing the impact of negative IMR and working towards an appropriate solution for statutory accounting and overall insurer financial solvency. If you have any questions, please contact Dale Bruggeman, or Kevin Clark, SAPWG Chair and Vice Chair, with any questions.

Cc: Julie Gann, Robin Marcotte, Jake Stultz, Jason Farr, Wil Oden, Scott O’Neal,

https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/Stat Acctg_Statutory_Referrals/2023/SAPWG to LATF - 3-27-23.docx

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