LIFE ACTUARIAL (A) TASK FORCE

Academy Life Practice Council Presentation (Attachment Twenty-Three)

Draft Pending Adoption

Draft: 12/18/25

Life Actuarial (A) Task Force
Hollywood, Florida
December 7–8, 2025

The Life Actuarial (A) Task Force met in Hollywood, FL, Dec. 7–8, 2025. The following Task Force members participated: Cassie Brown, Chair, represented by Rachel Hemphill (TX); Scott A. White, Vice Chair, represented by Craig Chupp (VA); Heather Carpenter represented by Sharon Comstock (AK); Mark Fowler represented by Sanjeev Chaudhuri and Kyle Ogden (AL); Ricardo Lara represented by Thomas Reedy (CA); Jared Kosky represented by Lei Rao-Knight and Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Ann Gillespie represented by Matt Cheung (IL); Holly W. Lambert represented by Scott Shover (IN); Vicki Schmidt represented by Nicole Boyd (KS); Marie Grant represented by Nour Benchaaboun (MD); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Angela L. Nelson represented by William Leung (MO); Eric Dunning represented by Michael Muldoon (NE); Justin Zimmerman represented by Seong-min Eom and Dave Wolf (NJ); Adrienne A. Harris represented by William B. Carmello (NY); Judith L. French represented by Peter Weber and Matt Elston (OH); Glen Mulready represented by Kate Yang (OK); Michael Humphreys represented by Steve Boston (PA); and Jon Pike represented by Tomasz Serbinowski (UT).

1. Adopted its Nov. 13, Nov. 6, Oct. 30, Oct. 23, Oct. 2, and Sept. 25 minutes and the Report of the Variable Annuities Capital and Reserve (E/A) Subgroup

The Task Force met Nov. 13, Nov. 6, Oct. 30, Oct. 23, Oct. 2, and Sept. 25. During these meeting the Task Force took the following action: 1) adopted revisions to *Actuarial Guideline XLIX-A—The Application of the Life Illustrations Model Regulation to Policies with Index-Based Interest Sold On or After December 14, 2020* (AG 49-A); 2) re-exposed amendment proposal form (APF) 2023-10, which would utilize a net asset earned rate (NAER) methodology for discounting in the Valuation Manual (VM)-20, Requirements for Principle-Based Reserves for Life Products, stochastic reserve (SR) calculation; 3) exposed APF 2025-15, which updates the *Valuation Manual* to replace Table K with NAIC designation categories for credit rating mappings; 4) adopted APF 2025-13, which clarifies documentation requirements for companies seeking approval of non-U.S. valuation mortality tables; 5) adopted *Actuarial Guideline LV—Application of the Valuation Manual for Testing the Adequacy of Reserves Related to Certain Life Reinsurance Treaties* (AG 55) reporting templates; 6) adopted its 2026 proposed charges; 7) adopted the 2026 Generally Recognized Expense Tables (GRETs); 8) adopted APF 2025-05, which provides clearer definitions and examples of what constitutes “contractually guaranteed” revenue sharing income; and 9) adopted its Summer National Meeting minutes.

Hemphill reported that the Task Force met Nov. 20 in regulator-to-regulator session pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings to discuss company presentations on in-force application of VM-22, Requirements for Principle-Based Reserves for Non-Variable Annuities.

The Task Force reviewed the report of the Variable Annuities Capital and Reserve (E/A) Subgroup. The Subgroup met in session with the Life RBC (E) Working Group on Oct. 31 and took the following action: 1) re-exposed the proposed changes to C-3 Phase I/C-3 Phase II calculations and life risk-based capital (RBC) instructions for a 60-day public comment period ending Jan. 5, 2026.; 2) adopted the proposed changes to the VM-21, Requirements for Principle-Based Reserves for Variable Annuities, supplement blank and instructions; and 3) exposed APF 2025-14 and RBC Proposal 2025-17-L, which provide a scope clarification for variable annuity (VA) contracts in the payout phase for both the Valuation Manual and the life RBC instructions for a 28-day public comment period ending Dec. 1.

Chupp made a motion, seconded by Benchaaboun, to adopt the Task Force's Nov. 13 (Attachment One), Nov. 6 (Attachment Two), Oct. 30 (Attachment Three), Oct. 23 (Attachment Four), Oct. 2 (Attachment Five), and Sept. 25 (Attachment Six), minutes and the report of the Variable Annuities Capital and Reserve (E/A) Subgroup (Attachment Seven) and its Oct. 31 minutes (Attachment Eight). The motion passed unanimously.

2. Adopted the Report and Minutes of the VM-22 (A) Subgroup

Slutsker stated that the VM-22 (A) Subgroup met on Sept. 17 and took the following action: adopted APF 2025-12, which adds standard projection amount (SPA) disclosure and testing requirements for VM-22.

Slutsker reported that the Subgroup met Nov. 12, Nov. 5, Oct. 29, and Oct. 8 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings, to hear company presentations on VM-22 in-force application.

Slutsker made a motion, seconded by Cheung, to adopt the report of the VM-22 (A) Subgroup (Attachment Nine) and its Sept. 17 minutes (Attachment Ten). The motion passed unanimously.

3. Heard Comments on the VM-22 Aggregation, Settlement Options, and Deposit-Type Contracts Exposures

Slutsker said that the Task Force would hear responses to the exposed questions regarding the treatment of deposit-type contracts in VM-22. Bruce Friedland (American Academy of Actuaries—Academy) proposed keeping the reference in VM-22 to deposit-type contracts. He also suggested edits clarifying contracts in scope between VM-22, Section 2.A and VM, Section II, Subsection 3.C, and suggested refining definitions of certain payout annuities. Brian Bayerle (American Council of Life Insurers—ACLI) proposed that deposit-type contracts be out of scope of VM-22 by default. However, Bayerle also requested that companies be able to include deposit-type contracts optionally, if managed similarly to other VM-22 businesses, subject to approval by the domiciliary commissioner.

Slutsker introduced the comment letter from Corebridge Financial that proposed to remove the exclusion of funding agreements with a few exceptions (e.g. Guaranteed Investment contracts (GICs) and synthetic GICs).

Slutsker introduced the exposure on settlement options, which included questions on 1) whether they should be subject to VM-22, despite the host contract being issued prior to the effective date of VM-22, as well as what valuation rates should be used. Friedland proposed that companies should have the flexibility to choose between pre-VM-22 rules or VM-22, with justification within the VM-31, PBR Actuarial Report Requirements for Business Subject to a Principle-Based Valuation, report for settlement options. Friedland said it could be beneficial to use VM-22 when all settlement options are managed together in a single asset segment that is separate from the original portfolio. Conversely, Friedland noted that pre-VM-22 valuation rules may be more applicable when settlement options are managed within the same asset segment as contracts in the deferral phase. Friedland suggested including clarification on what constitutes a settlement option and retaining the concept of a host contract.

Bayerle noted that the ACLI largely aligned with the Academy's position and reiterated that they supported allowing optionality, both in using either VM-22 or the pre-VM-22 framework for settlement options and in choosing the valuation rate. Yanacheak asked what the cutoff issue date should be for contracts to have this optionality. Bayerle suggested allowing all contracts issued from 2017 until the effective date of VM-22 to have that optionality on the assumption that it would not be material. Yanacheak posited that if a company wants the optionality and its domestic regulator says no, there is a risk that it will reinsure its business to get that optionality in effect. Slutsker agreed with Yanacheak and noted the Task Force had two options: 1) allow optionality with the understanding that it is going to happen one way or another, or 2) do not allow optionality and require VM-22 for settlement options after the effective date.

Hemphill asked Bayerle if the ACLI had a position on whether one of the options should be a default, with the other requiring approval from the domestic commissioner. Bayerle said the ACLI is open to one option being the default. Chueng questioned why specific treatment for settlement options would be needed, given that companies already could use simplifications for immaterial business. Bayerle said that to perform the demonstration, companies would have to conduct modeling, which would be resource-intensive. Yanacheak added that the VM-22 requirements only allowed simplifications if they did not materially understate reserves. Reedy said that the Task Force should consider the level of documentation required in VM-31 so that state insurance regulators can understand the impact of optionality.

Boston asked whether settlement options originating from contracts issued prior to 2017 would be subject to VM-22. Slutsker said that the existing requirements could be unclear, and part of this project would be to add clarity. Carmello said that his recollection from early discussions involving VM-22 was that settlement options that were elected when VM-22 was effective would default to using VM-22 but the domestic commissioner could approve the issue date of the host contract to be used. Bayerle said that a similar issue exists with VM-20 and riders and that the Task Force should review that handling in VM-20 to guide the settlement option discussions.

Slutsker introduced Joshua Liu's (independent actuarial consultant) comment letter that suggested removing "host" from the "host contract" language to avoid confusion with other concepts used in generally accepted accounting principles (GAAP). Slutsker asked if any Task Force members objected to proceeding with moving forward with allowing optionality, noting that there were still details to be discussed. No Task Force member objected.

Slutsker then moved on to the topic of aggregating VM-22 reserves across deferred annuity and payout annuity reserve categories, as well as any necessary disclosure requirements. Friedland said that the Academy's position is that if blocks of business are managed together, then they should be allowed to aggregate. Friedland said that the Academy suggested adding a guidance note to the current requirements to clarify what it means to manage blocks of business together, such as asset-liability management, duration matching, etc. Cheung supported the idea that businesses managed together should be allowed to be aggregated, but he did not believe that it should be a precondition for companies to receive the aggregation benefit.

Bayerle addressed the ACLI's comment letter, noting support for proper disclosures for state insurance regulators to understand the aggregation benefit. Hemphill addressed the Texas Department of Insurance's (TDI's) comment letter, noting support for: 1) companies being allowed to receive an aggregation benefit regardless of whether they manage different blocks of business together; 2) separate payout and accumulation disclosures to help regulators understand period-to-period reserve movements; and 3) if regulators felt a criteria is needed, the criteria should be to allow the aggregation benefit based on whether a company would be able to realize the aggregation benefit in the future and whether a company would be able to use the asset from one block of business to support another. Weber asked if there were any potential unanticipated consequences. Yanacheak responded that the impact of the cash surrender value floor could be diminished when business is aggregated. Yanacheak noted support for TDI's aggregation proposal but asked that a question be included in the exposure on what disclosures are necessary. Serbinowski also noted support for the TDI proposal.

Slutsker said that he would conduct a chair exposure of revised VM-22 language and questions around the aggregation, deposit-type contract, and settlement option issues, incorporating the day's discussion following the national meeting.

4. Adopted the Report of the Longevity Risk (E/A) Subgroup and Heard an Update on the Longevity Risk C-2 Proposal

Eom stated that the focus of this discussion is capital for longevity reinsurance products. When regulators first developed the C-2 factor, longevity reinsurance was excluded. Now that the VM-22 reserving framework has been adopted, Eom said that it makes sense to work on the C-2 factor for longevity reinsurance. Eom noted that after asking for proposals for the C-2 factor for longevity reinsurance, the Longevity Risk (E/A) Subgroup received proposals from the Academy, ACLI, the Minnesota Commerce Department (MN CD) and the New Jersey Department of Banking and Insurance (NJ DOBI). Eom said that after this discussion at the national meeting, the proposals would be refined and exposed.

Slutsker said that currently, there is no risk-based capital (RBC) C-2 factor for longevity reinsurance, and that he favored an expedited approach to properly account for the risk. Secondly, Slutsker said that longevity reinsurance presented a great opportunity to explore a stochastic mortality approach given the recurring premium nature of the business. Linda Lankowski (Academy) said that while NJ DOBI's proposal was relatively simple to use and understand, it would not appropriately capture the risk. Lankowski further stated that while it makes theoretical sense, a stochastic mortality approach is not necessary to perform. Lankowski noted that the Academy's preferred approach would involve modeling a stress scenario and subtracting out the respective reserve amount. Lankowski noted that although a current charge does not exist for longevity reinsurance, the reserves were subject to a floor that should retain an appropriate amount of conservatism for some time, allowing the necessary time to develop an appropriate methodology.

Bayerle noted that the ACLI's perspective aligned with the Academy's in that the ACLI would like a long-term focus for the longevity reinsurance C-2 capital methodology. The ACLI's proposed methodology would include a factor amount multiplied by the present value of benefits minus the present value of premiums and fees not already used for reserving purposes and would be floored at zero. Eom then described NJ DOBI's proposed longevity reinsurance C-2 methodology that applies a factor to the floor defined in the VM-22 reserve calculations. Slutsker noted that the Academy's proposal would be principle-based but harder to audit given the relative complexity of the calculation. On the other hand, Slutsker said that the factor-based approaches proposed by the ACLI and NJ DOBI would be simpler and easier to audit.

Eom said that, based on the feedback, she would conduct a chair exposure of the Academy, ACLI, and NJ DOBI proposals to gather additional comments.

Eom made a motion, seconded by Rao-Knight, to adopt the report of the Longevity Risk (E/A) Subgroup and its Nov. 19 (Attachment Eleven) and Oct. 9 (Attachment Twelve) minutes. The motion passed unanimously.

5. Adopted the Report of the Experience Reporting (A) Subgroup and Exposed APF 2024-12

Angela McNabb (NAIC) walked through a presentation that provided an update on the NAIC's life mortality experience collection. Andersen made a motion, seconded by Eom, to adopt the report of the Experience Reporting (A) Subgroup (Attachment Thirteen) and its Nov. 17 (Attachment Fourteen) minutes. The motion passed unanimously.

Eom introduced the proposal for the NAIC to perform a group annuity data collection, noting that a drafting group had been formed to continue refining APF 2024-12, which would add the mandatory group annuity data collection requirements into the *Valuation Manual*. Eom said that the drafting group's work had focused on the scope of the data collection, the appropriate fields to include in the data collection, and clarifying definitions to ensure that companies provide consistent data. To gather information, a survey was sent to companies that have group annuity business. Pat Allison (NAIC) continued the discussion by delivering a presentation (Attachment Fifteen) on the survey and APF 2024-12.

Andersen made a motion, seconded by Yanacheak, to expose APF 2024-12 for a 60-day public comment period ending Feb. 9, 2026. The motion passed unanimously.

6. <u>Adopted the Report of the GOES (E/A) Subgroup and Adopted the GOES Model Governance Framework</u>

Yanacheak said the Generator of Economic Scenarios (GOES) (E/A) Subgroup had received comments from the Academy and the ACLI on the most recent exposure of the GOES Model Governance Framework. Yanacheak noted the importance of model governance but he expected that the model governance framework would undergo continual revisions as best practices are realized. Hal Pedersen (Academy) suggested adding a mean-variance plot that would compare the risk and reward of the various returns produced by the GOES, which Yanacheak supported. Pedersen also suggested that during the annual review process that the latest historical data be included in a re-parameterization of the GOES to understand how the parameters would be impacted and suggested that interested parties be included in the review and analysis. Yanacheak noted that it seemed like a sound suggestion, but that the time, effort, and expense would need to be considered. Hemphill added that there is existing language in the GOES Model Governance Framework that contemplates the need for an off-cycle recalibration related to Pedersen's suggestion.

Pedersen continued by noting the Academy's longstanding concerns regarding the level of documentation for the corporate model. Pedersen questioned how the recent, relatively small changes to the corporate model parameters could create an outsized impact and why a series of multiplicative adjustments were made to the parameters rather than a more holistic approach. Daniel Finn (Conning) said that there were two main components that have been specified as targets for the corporate model: 1) the option-adjusted spread; and 2) the excess returns. There was feedback with the original release of the Sept. 30 scenario release that those scenarios were not meeting the targets. Finn said that as a result, spread and variance multipliers were adjusted and the mean reversion speeds were increased. Finn said that the reason the multiplier adjustments were used was that there was limited information provided in the targeting criteria.

Scott O'Neal (NAIC) said that two sections had been added to the GOES Model Governance Framework based on the ACLI's suggestions: 1) a "Maintenance of the Governance Framework"; and 2) an "Incident Documentation and Remediation" section. Bayerle expanded on the ACLI's comments, noting support for the adoption of the GOES Model Governance Framework while stating that more work would need to be done to refine it going forward. Bayerle asked that scenarios that have been previously released be retained as a best practice, even if there is an issue discovered with the scenario files.

Yanacheak made a motion, seconded by Weber, to adopt the GOES Model Governance Framework (Attachment Sixteen) with the edits proposed by the ACLI and shown in the materials. The motion passed unanimously.

The Subgroup met on Oct. 29 and took the following action: 1) re-exposed the GOES Model Governance Framework; 2) adopted revisions to the corporate model calibration; and 3) exposed the NAIC's scenario review and validation procedures.

Yanacheak made a motion, seconded by Weber, to adopt the GOES (E/A) Subgroup report along with its Oct. 29 (Attachment Seventeen) minutes. The motion passed unanimously.

7. <u>Heard an Update on AG 53 Reports.</u>

Andersen walked through a presentation (Attachment Eighteen) that provided an update on *Actuarial Guideline LIII—Application of the Valuation Manual for Testing the Adequacy of Life Insurer Reserves* (AG 53) and highlighted the areas that state insurance regulators would focus on during reviews.

8. <u>Heard an Update on the Non-U.S. Industry Mortality Table Reviews</u>

Dale Hall (Society of Actuaries—SOA) provided a presentation (Attachment Nineteen) on international mortality, with a focus on the Canadian and Chinese markets. Hemphill asked if there was any difference in conservatism between how the Canadian mortality tables are developed compared to practices in the U.S. Hall said that the methodologies between the two countries were fairly similar and that the Canadian table included a broad representation of their insurance companies. Serbinowski asked whether the SOA was being asked to provide a certification indicating comfort with a particular country's mortality table development processes. Hemphill said that the purpose of the SOA's presentation is to gather more information. Hall added that the SOA would not be comfortable with providing a certification but wanted to share information with state insurance regulators to help their decision-making.

After discussion of the Chinese mortality table development, Serbinowski asked whether the tables were ultimate-only because there was very little selection or for some other reason. Hall said that there was a greater emphasis on endowment type products in the Chinese market that typically showed less selection. Hemphill asked how state insurance regulators might get comfortable with companies making adjustments to the Chinese mortality table to fit the level of a company's mortality, when the individual company may have more underwriting and so reflect more of a selection effect than reflected in the industry tables. Hall said that that type of adjustment would require an understanding of the type of insurance product, the marketing channel, and other detailed product factors. Hemphill asked why the Chinese mortality table was unismoke. Hall said that this may be due to the greater prevalence of smoking in China.

9. <u>Exposed PRT Reinvestment Guardrail Proposal Presentation</u>

Wolf presented a proposal from the NJ DOBI to modify the reinvestment guardrail assumption for pension risk transfer (PRT) business under VM-22. Wolf noted that the motivation for this proposal was a desire to maintain direct US regulatory oversight within the statutory framework for this PRT business. Andersen pointed to the NAIC's Standard Valuation Law (#820) which allows for a higher valuation rate where there is less ability for the policyholder to obtain cash payments on demand and said that the NJ DOBI proposal was consistent with that principle. Weber asked if there would be additional testing performed to assess the impact of this proposal. Eom responded that companies would present to state insurance regulators on a confidential basis.

Serbinowski said that he would prefer to address whether the reinvestment guardrail for certain products needed revision rather than focus on a single revision for the PRT product. Hemphill agreed and suggested that one approach could be to add liquidity spread to the reinvestment guardrail for all types of business with favorable liquidity characteristics. Yanacheak asked whether the Task Force wanted to postpone examining this item until all products with favorable liquidity characteristics had been identified, or if members were willing to apply distinct reinvestment guardrail treatment to PRT business before potentially applying it to other products. Cheung said that he did not feel this proposal needed to be held up but would push for extension to other products if the same rationale could be applied.

Yanacheak also suggested a more refined liquidity spread rather than a flat 50 basis points regardless of the environment. Andersen said that there may be strategic considerations for the NAIC regarding this proposal and it would make sense to get NAIC leadership buy-in. Wolf agreed with getting input from NAIC leadership. Hemphill said that allowing each company to use its own best estimate spread and default assumptions, even for vanilla public corporate bonds, could potentially conflict with the Task Force's directives as the Standard Valuation Law that enables the *Valuation Manual* requires "Assumptions shall be prescribed for risks over which the company does not have significant control or influence." Yanacheak said that he believes that this project was worth pursuing and it could be that PRT is currently being reserved for under a more than moderately adverse standard. Hemphill agreed with Yanacheak that there may be room to make an update while maintaining reserves that reflect a moderately adverse standard.

Hemphill exposed the reinvestment guardrail for pension risk transfer presentation (Attachment Twenty) for a 45-day public comment period ending Jan. 23, 2026.

10. Exposed APF 2025-16

Hemphill introduced APF 2025-16, which would harmonize the reinvestment guardrail assumption across VM-20, VM-21, and VM-22. Bayerle asked if model office testing could be performed by the NAIC. O'Neal said that his group would take a look in early January to see what information they can provide.

Slutsker made a motion, seconded by Serbinowski, to expose APF 2025-16 for a 60-day public comment period ending Feb. 9, 2026.

11. Discussed In-force application of VM-22

Slutsker introduced the topic of potential in-force application of VM-22, noting the importance of the issue given the large financial impact to the industry and the amount of relevant business that has been reinsured to offshore jurisdictions. Slutsker stated that the VM-22 (A) Subgroup had held confidential discussions with volunteer companies to discuss their suggestions on whether to proceed with in-force application of VM-22 along with the expected financial impact to their company. From those discussions, Slutsker said he created a grid of options (Attachment Twenty-One) that ranged from mandatory in-force application of VM-22 to alternatives with greater optionality for company implementation.

Serbinowski said that he favored optional election with requirements that election apply the same across all products and issue years within the scope of VM-22. Weber supported Serbinowski's position but with an exclusion for policy forms that are not material. Hemphill stated that she preferred mandatory application with expanded options for exemption testing and exclusions for materiality. After additional discussion, the Task Force agreed to remove the more extreme mandatory and optional alternatives from further consideration.

Slutsker said that he would conduct a Chair exposure of the options for VM-22 in-force application along with exposure questions and timing considerations, after the national meeting concluded.

12. Heard an Update from SOA Research and Education

Hall delivered a presentation (Attachment Twenty-Two) on the SOA's research and education initiatives.

13. Heard an Update from the Academy Council on Professionalism and Education

Tricia Matson (Academy), Kevin Dyke (Academy), Lankowski, and William Hines (Actuarial Board for Counseling and Discipline—ABCD) provided an update on the Academy's professionalism and education initiatives. Dyke said that the Actuarial Standards Board (ASB) has just approved the revised Actuarial Standard of Opinion (ASOP) 7, Analysis of Life and Health Insurer Cashflows, and was working on several different life and cross-practice ASOPs. Lankowski said that the Academy's Council on Qualifications (COQ) was working to revise and simplify its frequently asked questions document for enhanced clarity. Hines noted that approximately 12 to 15 complaints have been received annually related to alleged issues of actuarial professionalism.

14. Heard an Update from the Academy Life Practice Council

Amanda Barry-Moilanen (Academy) delivered a presentation (Attachment Twenty-Three) that provided an update from the Life Practice Council. Chou requested more information on the Academy's initiative to gather information on potentially disruptive events. Matson said that as more globally disruptive events were occurring, the Academy wanted to gain more understanding of issues that are not covered by routine measures or actuarial models. Matson concluded by saying that this could help the Academy provide guidance for these types of situations.

15. Exposed APF 2025-17

Hemphill introduced APF 2025-17, which would allow for an aggregation benefit from distinct lines of business to be realized in the VM-20 SR calculation.

Yanacheak made a motion, seconded by Chupp, to expose APF 2025-17 for a 60-day public comment period ending Feb. 9, 2026.

16. Received an Update from the Compact

Katie Campbell (Interstate Insurance Product Regulation Commission—Compact) said that the Compact had received 925 product filings, with an increasing share coming from annuities. Campbell said that the Compact issued filing information notice 2025-2 (FIN 2025-2) intended to provide guidance on nonforfeiture compliance for universal life and variable universal life products. Benchaaboun asked whether the Compact was providing notices to companies with existing filings of the upcoming deadline associated with FIN 2025-2 and whether a memorandum was being required to demonstrate compliance with FIN 2025-2. Campbell responded that once the FIN 2025-2 is in effect, the Compact will be looking for demonstration certifications. Hemphill said that she had heard questions from companies regarding what the Task Force intended with the adoption of APF 2025-02, including: 1) was the intention to include the zero percent floor on indexed accounts; and 2) is a re-evaluation of nonforfeiture needed even when a small change is made to a product. Hemphill said that after initial discussions of these questions with other members of the Task Force, the plan would be to hold regulator-only discussions both with the Compact and companies in late Jan. and early Feb. 2026.

Campbell also mentioned certain products that were becoming more common, including annuity bonus riders that have a charge, complex guaranteed living withdrawal benefit riders attached to variable annuity products, complex index strategies, and annuity products where all of the crediting strategies are in riders rather than being a part of the base contract. Regarding the idea of a base contract without a fixed account, Yanacheak noted that for a legal contract to be in effect there has to be an exchange of considerations and felt that product design did not meet those requirements. Campbell said that the Compact is approving products on the basis of the combined base contract and rider; however, the concern remained that the company may not offer the rider in the future.

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

SharePoint/NAIC Support Staff Hub/Committees/Member Meetings/A CMTE/LATF/2025-3 Fall/National Meeting/Minutes Packet/LATF Fall National Meeting 2025 Minutes.docx

Draft: 11/26/25

Life Actuarial (A) Task Force
Virtual Meeting
November 13, 2025

The Life Actuarial (A) Task Force met Nov. 13, 2025. The following Task Force members participated: Cassie Brown, Chair, represented by Rachel Hemphill (TX); Scott A. White, Vice Chair, represented by Craig Chupp (VA); Heather Carpenter represented by Sharon Comstock (AK); Mark Fowler represented by Sanjeev Chaudhuri (AL); Peter M. Fuimaono represented by Edward Lotulelei (AS); Ricardo Lara represented by Thomas Reedy(CA); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Ann Gillespie represented by Matt Cheung (IL); Holly W. Lambert represented by Scott Shover (IN); Vicki Schmidt represented by Nicole Boyd (KS); Marie Grant represented by Nour Benchaaboun (MD); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Ned Gaines represented by Maile Campbell (NV); Justin Zimmerman represented by Seong-min Eom (NJ); Kaitlin Asrow represented by William B. Carmello (NY); Judith L. French represented by Peter Weber (OH); Glen Mulready represented by Kate Yang (OK); TK Keen represented by Joshua Blakey (OR); Michael Humphreys represented by Steve Boston (PA); and Jon Pike represented by Tomasz Serbinowski (UT).

1. <u>Adopted Revisions to AG 49-A</u>

Colin Masterson (American Council of Life Insurers – ACLI) discussed the ACLI's comment letter regarding *Actuarial Guideline XLIX-A—The Application of the Life Illustrations Model Regulation to Policies with Indexed-Based Interest Sold On or After December 14, 2020* (AG 49-A). Masterson proposed: 1) a five-year minimum period before historical returns can be shown to provide policyholders with critical information regarding the available indices; and 2) changing multiple instances of "policies issued prior to April 1, 2026" to "policies sold prior to April 1, 2026" for consistency across AG 49-A. Slutsker supported changing the language to "policies sold prior to April 1, 2026" throughout AG 49-A and proposed changing "an index first exceeds" to "an index first has". He noted that "exceeds" implies waiting unitl the start of the next year to illustrate historical performance while "has" dictates beginning illustrations on that specified year. Masterson and Brian Lessing (American Academy of Actuaries—Academy) supported Slutsker's additional changes.

Slutsker continued the discussion on the minimum required period from the inception of an index until historical returns can appear on an illustration. Slutsker noted state insurance regulator concerns regarding indices being illustrated during the years the indices even existed. Chupp, Yanacheak, Blakey, and Benchaaboun supported a 10-year minimum period before historical data can be illustrated to align AG 49-A with the *Annuity Disclosure Model Regulation (#245),* which uses a 10-year minimum for indexed annuity illustrations. Yanacheak said that consumers often lack understanding of index construction and may misinterpret short-term performance, where a 10-year minimum would avoid misleading information.

Slutsker said that he preferred a five-year minimum period before historical data can be illustrated, noting that shorter periods such as one or two years could mislead consumers due to temporary spikes, while a five year period typically captures both favorable and unfavorable cycles without unnecessarily extending the timeframe. Hemphill acknowledged the argument for a ten-year period to capture a full business cycle but agreed with Slutsker's reasoning for supporting a five-year minimum and expressed concern that withholding historical returns when an index has existed 8 or 9 years could confuse consumers or lead consumers to seek data outside the illustration where they would not have the benefit of other required disclosures.

Slutsker made a motion, seconded by Blakey, to adopt the revisions to AG 49-A (Attachment One-A) with the following edits: 1) using "policies sold" rather than "policies issued"; 2) using "has" rather than "exceeds"; and 3) using 10 years for the minimum period since index inception to allow illustration of historical returns. The motion passed unanimously.

2. Re-Exposed APF 2023-10

Hemphill noted that amendment proposal form (APF) 2023-10 had been put on hold during the development of the generator of economic scenarios (GOES) but was being considered again now that the GOES has been adopted into the 2026 *Valuation Manual*. Jon Heldmann (Academy) began walking through APF 2023-10, noting that: 1) with new GOES scenarios, very low or negative treasury rates may cause problems for reserve calculations in VM-20, Requirements for Principle-Based Reserves for Life Insurance when 105% of the one-year US Treasury rate is used; and 2) the Academy's review of the proceedings did not find concrete support for the use of 105% of the one-year US Treasury rate as the discount rate. Given those considerations, Heldmann said that APF 2023-13 replaced the 105% of the US Treasury discount rate with a net asset earned rate (NAER) for VM-20.

Hemphill noted that the NAER methodology for the deterministic reserve (DR) was different from the proposed NAER method for the stochastic reserve (SR) and asked why two distinct methodologies were needed. Dave Neve (Academy) commented that the intent was to provide flexibility regarding the net NAER. Currently, the DR uses a discount rate based on the entire starting asset portfolio. By allowing a pro rata slice of the starting assets for the SR, companies could choose to apply the same NAER as the DR. Alternatively, Neve concluded, if a company prefers to use a different portfolio of additional assets, they could establish a separate NAER for the SR.

Chanho Lee (Academy) emphasized a fundamental difference between the NAER methodology used in the VM-20 DR and the proposed SR NAER that utilizes the additional asset portfolio. Lee said that the proposed SR NAER is calculated without incorporating liability cash flows of the products. Instead, it relates solely to the return of the additional supporting assets required to support the greatest present value of accumulated deficiencies (GPVAD) beyond the starting asset portfolio.

Cheung sought clarification on whether the additional asset portfolio includes any available starting assets for projections or if the slice must match the characteristics of additional supporting assets. Lee explained that under the current framework, the final scenario reserve at the valuation date equals the starting assets plus an additional liability, which corresponds to the GPVAD. To support this additional liability, companies must have additional assets available beyond the original starting portfolio. Lee concluded by stating that the additional invested asset portfolio is separate from the starting assets but should maintain the same characteristics as those assets to ensure consistency in methodology. Hemphill and Lee clarified that there should be no double counting of assets in this process.

Weber made a motion, seconded by Chupp, to re-expose APF 2023-10 for a 70-day public comment period ending Jan. 21, 2026. The motion passed unanimously.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/A CMTE/LATF/2025-3-Summer/LATF Calls/11 13/Nov 13 Minutes.docx

Life Actuarial (A) Task Force/ Health Actuarial (B) Task Force
Amendment Proposal Form*

1. Identify yourself, your affiliation, and a very brief description (title) of the issue.

   Identification:
   Rachel Hemphill, Texas Department of Insurance
   Ben Slutsker, Minnesota Department of Commerce

   Title of the Issue:
   Clarify the requirements of AG49 Section 7.B and 7.C, to address the observed practice of including of historical averages exceeding the maximum illustrated rate and backcasted performance.

2. Identify the document, including the date if the document is "released for comment," and the location in the document where the amendment is proposed:

   Section 7, Actuarial Guideline 49

3. Show what changes are needed by providing a red-line version of the original verbiage with deletions and identify the verbiage to be deleted, inserted, or changed by providing a red-line (turn on "track changes" in Word®) version of the verbiage. (You may do this through an attachment.)

Deleted: ¶

3. Definitions

G. Historical Period: The Historical Period for an Index Account is the number of whole years between the most recent inception date of any Index whose published values are utilized directly in the calculation of Indexed Credits and the date of the illustration.

Deleted: If the Index Account includes credits based on a blended Index or published composite Index that relies on reference to other Indices, then the Historical Period is determined based on the inception date of the blended or composite Index rather than the component Indices.

H. Inception Date: The Inception Date of an Index is the date on which the Index was launched and began tracking and reflecting market performance, and Index values were made publicly available. If the Index is comprised of multiple component indices, then the Inception Date is based on the Index itself rather than the component indices.

I. Index: An Index is a financial benchmark that tracks the performance of market instruments or investment strategies whose published values are used directly in the calculation of Indexed Credits for an Index Account.

Drafting Note: Renumber the remaining definitions accordingly.

7. Additional Standards

A. For policies sold prior to April 1, 2026, the basic illustration shall also include the following:

   i. A ledger using the Alternate Scale shall be shown alongside the ledger using the illustrated scale with equal prominence.

   ii. A table showing the minimum and maximum of the geometric average annual credited rates calculated in 4 (A).

iii. For each Index Account illustrated, a table showing actual historical index changes and corresponding hypothetical Indexed Credits using current index parameters for the most recent 20-year period.

Drafting Note: The above language is the same as the current Section 7 wording in AG9 49-A, with the intention that illustrations for policies sold prior to April 1, 2026 will not need to comply with the requirements in Sections 7.B through 7.D but may choose to do so for policies sold as early as January 1, 2026.

B. For policies sold on or after April 1, 2026, the basic illustration shall also include the following:

i. A ledger using the Alternate Scale shall be shown alongside the ledger using the illustrated scale with equal prominence.

ii. A table for the Benchmark Index Account, which may be a hypothetical Benchmark Index Account as described in 4.A.ii, only showing the minimum and maximum of the geometric average annual credited rates calculated in 4 (A).

iii. For each Index Account illustrated, a table showing annualized actual historical Index changes and corresponding hypothetical annualized rates of Indexed Credits using current Index Account parameters for only the most recent 25-year period.

1. For each Index Account illustrated, if the Historical Period is less than 10 years, then no table for that Index or Index Account shall be shown.

2. For each Index Account illustrated, if the Historical Period is at least 10 years but less than 25 years, then the table shall be limited to the Historical Period. In any calendar year in which an index first has a historical period of 10 years, the insurer shall be allowed to delay adding historical values for that index up to three (3) months from the end of that calendar year.

The table should include the historical geometric average return for the period shown, both for the annualized actual historical Index changes and the corresponding hypothetical annualized rate of Indexed Credits using the current Index Account parameters.

C. For policies sold on or after April 1, 2026, neither the basic illustration nor the supplemental illustration may include the following:

i. Historical returns, including historical geometric average returns, other than the historical returns required by Section 7.A.ii and Section 7.A.iii in this guideline.

ii. Neither tables nor disclosures that either explicitly or implicitly compare historical returns and maximum illustrated rates, such as a side-by-side presentation.

Nothing in this section shall be construed to prohibit showing the rate calculated in Section 4.B.i in the basic or supplemental illustration.

D. For policies sold on or after April 1, 2026, the basic illustration shall include a statement which is substantially similar to the following, as applicable:

"Historical index changes shown in this illustration are not indicative of future returns."

~~i. "If historical Index changes and corresponding hypothetical annualized rates of Indexed Credits using current Index Account parameters are not shown for any Index Account that is illustrated, it is because there are less than [5 or 10] years between the most recent Inception Date of any Index~~

Deleted: issued
Deleted: 2025
Deleted: issued
Deleted: T
Deleted: ,
Deleted: ,
Deleted: i
Deleted: i
Deleted: 20
Deleted: For any Index Account where an index or indices have existed for fewer than 25 years, the historical period shall be limited to the length of its existence, or the date of inception of the index (meaning the date when the index itself was created, irrespective of when the underlying components were created).
Deleted: exceeds
Deleted: historical
Deleted: i
Deleted: i
Deleted: N
Deleted: s
Deleted: are
Deleted: Please note that h
Deleted: I
Deleted: ~~and corresponding hypothetical annualized rates of Indexed Credits using current Index Account parameters~~
Deleted: above
Deleted: ~~representations or estimates~~
Deleted: s
Deleted: ~~Index changes or rates of Indexed Credits~~

~~whose published values are utilized directly in the calculation of Indexed Credits and the date of this illustration."~~

4. State the reason for the proposed amendment? (You may do this through an attachment.)

In the AG49 section on additional standards, there is a requirement to show a **20-year history** of **actual** index changes, and hypothetical credits based on those changes. This disclosure can illustrate the **volatility** in performance that can occur over time, compared to illustrations using a fixed illustrated rate.

Also in the AG49 section on additional standards, there is a requirement to have a table showing the min and max of the 25-year geometric averages **for the BIA** that are used in calculating the max illustrated rates. Just as a reminder, there is a single BIA for each policy.

Reviewing illustrations from 13 companies:

- Only one company did not include any historical averages or backcasting.
- The majority of companies included both.
- Five of the 12 companies added an additional chart displaying various historical average rates vs. the maximum illustrated rate.
- Some companies clearly labeled backcasted performance, while for others it was necessary to look up the index itself to identify that it was only recently created.

Where companies included historical averages (sometimes based on backcasting), they often showed multiple historical averages (e.g., 10-year, 15-year, 20-year, etc.) and often showed them side-by-side with the maximum illustrated rate. The historical averages were often 2-4x the maximum illustrated rate.

When companies were questioned about these disclosures, they noted that there was no explicit prohibition on including this information, and thought it showed consumers how the index may perform over different time periods.

This created a concern for regulators that these disclosures limit the effectiveness of AG49's maximum illustrated rate requirements.

Reviewing illustrations also highlighted that the length of the historical period shown varied across companies, with some showing a 20-year history and some showing a longer history. To address perceived optionality in the number of historical years shown (where the index or indices have been in existence for more than the 20-year history, the standard table is increased to 25 years and the language is clarified with "only".

Some regulators expressed that the 20-year history disclosure should be removed entirely, replaced by disclosures that simply illustrate the mechanics of the hypothetical credits based on index movements up, down, and a level index scenario. Because it is difficult if not impossible to create such scenarios that effectively show the impact for all different caps, etc., I am proposing a narrower edit to address the specific issue of the inconsistent historical periods, historical averages and backcasted performance.

Dates: Received	Reviewed by Staff	Distributed	Considered
Notes:			

Draft: 11/24/25

Life Actuarial (A) Task Force
Virtual Meeting
November 6, 2025

The Life Actuarial (A) Task Force met Nov. 6, 2025. The following Task Force members participated: Cassie Brown, Chair, represented by Rachel Hemphill (TX); Scott A. White, Vice Chair, represented by Craig Chupp (VA); Heather Carpenter represented by Sharon Comstock (AK); Mark Fowler represented by Sanjeev Chaudhuri (AL); Ricardo Lara represented by Thomas Reedy (CA); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Ann Gillespie represented by Matt Cheung (IL); Holly W. Lambert represented by Scott Shover (IN); Vicki Schmidt represented by Nicole Boyd (KS); Marie Grant represented by Nour Benchaaboun (MD); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Justin Zimmerman represented by Seong-min Eom (NJ); Ned Gaines represented by Maile Campbell (NV); Kaitlin Asrow represented by William B. Carmello (NY); Judith L. French represented by Peter Weber (OH); Glen Mulready represented by Kate Yang (OK); TK Keen represented by Tashia Sizemore and Joshua Blakey (OR); Michael Humphreys represented by Steve Boston (PA); and Jon Pike represented by Tomasz Serbinowski (UT).

1. Exposed APF 2025-15 (Credit Ratings Consistency)

Hemphill introduced amendment proposal form (APF) 2025-15, which would update the *Valuation Manual* to replace Table K with NAIC designation categories for credit rating mappings. Hemphill continued that the APF also introduces new guidance on credit rating mapping for residential mortgage loans by comparing the relationship of their risk-based capital (RBC) factors to those of commercial mortgage loans. Hemphill concluded by stating that APF 2025-15 clarifies that only tables that include the final factors (A, F, G, H, I, and J) used in calculations are published on the NAIC website to prevent companies from mistakenly applying interim steps. Those interim tables (B, C, D, and E) remain available upon request.

Chanho Lee (American Academy of Actuaries—Academy) asked if there was any data or rationale behind NAIC commercial mortgage designations CM6 and CM7 being mapped to principle-based reserve (PBR) credit rating 20. Hemphill clarified that the mapping is based on current practice, and she expected to receive comments on this matter.

Chupp made a motion, seconded by Cheung, to expose APF 2025-15 with Hemphill's suggested edits for a 60-day public comment period ending Jan. 21, 2026. The motion passed unanimously.

2. Adopted APF 2025-13 (Non-U.S. Mortality)

Hemphill stated that the Task Force would consider adoption of APF 2025-13, which clarifies documentation requirements for companies seeking approval of non-U.S. valuation mortality tables. Noting the robust discussion around whether non-U.S. business should be allowed, Hemphill said that she had received guidance from the Life Insurance and Annuities (A) Committee and NAIC legal staff that those types of discussions are out of scope for the work of the Task Force. She also said that further information around non-U.S. mortality tables would be presented by the Society of Actuaries (SOA) at the Task Force's session at the upcoming Fall National meeting.

Reedy made a motion, seconded by Chou, to adopt APF 2025-13 (Attachment Two-A). The motion passed unanimously.

3. Adopted the Revised AG 55 Templates

Andersen walked through changes to the *Actuarial Guideline LV—Application of the Valuation Manual for Testing the Adequacy of Reserves Related to Certain Life Reinsurance Treaties* (AG 55) templates that had been made based on feedback from the American Council of Life Insurers (ACLI). Andersen said that: 1) additional language had been added to the “Asset Yields – Ceding” tab to indicate that ceding companies do not need to fill the tab out if the assuming company performs all of the reinvestments; and 2) the “Assumptions – Product 1” tab now states company assumptions need to be provided only if they are different from ceding company assumptions and applicable to the analysis.

Andersen made a motion, seconded by Cheung, to adopt the AG 55 templates (Attachment Two-B). The motion passed unanimously.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/A CMTE/LATF/2025-3-Summer/LATF Calls/11 06/Nov 6 Minutes.docx

Life Actuarial (A) Task Force/ Health Actuarial (B) Task Force
Amendment Proposal Form*

1. Identify yourself, your affiliation, and a very brief description (title) of the issue.

   Identification:
   Rachel Hemphill, Texas Department of Insurance
   Fei Jiang, Texas Department of Insurance

   Title of the Issue:
   Modify VM-20 Sections 3.C.1.h.i to clarify the timing and documentation requirements for companies seeking approval to use a non-U.S. valuation mortality table in compliance with the Valuation Manual.

2. Identify the document, including the date if the document is "released for comment," and the location in the document where the amendment is proposed:

   2025 Valuation Manual, VM-20 Sections 3.C.1.h.i

3. Show what changes are needed by providing a red-line version of the original verbiage with deletions and identify the verbiage to be deleted, inserted, or changed by providing a red-line (turn on "track changes" in Word®) version of the verbiage. (You may do this through an attachment.)

   See attached.

4. State the reason for the proposed amendment? (You may do this through an attachment.)

   This proposal is necessary because, during the first instance in which LATF was asked to consider the use of non-U.S. mortality tables, the review process revealed two major challenges: (1) the requests were not submitted early enough in the review cycle, and (2) the supporting documentation provided was insufficient to establish confidence in the appropriateness of the proposed tables. As the use of non-U.S. mortality assumptions may become more frequent, this amendment aims to establish clearer expectations around both timing and the minimum supporting materials required for such requests, thereby improving transparency, consistency, and efficiency in future reviews.

Dates: Received	Reviewed by Staff	Distributed	Considered
9/18/25	SO		
Notes: 2025-13			

VM-20, Section 3.C.1.h.i

The company shall use a non-U.S. valuation mortality table based on a non-U.S. industry mortality table developed as described in Section 9.C.3.b.i. Companies using these tables shall seek approval from the Life Actuarial (A) Task Force by addressing to the chair of the Life Actuarial (A) Task Force. For the non-U.S. mortality tables that are to be used in the year-end YYYY valuation the company shall submit its request by June 1st of YYYY accompanied by the following supporting documentation:

a) An analysis of the valuation results before and after applying the non-U.S. mortality table and historical mortality improvement rates, with and without any adjustment factors.
b) For any proposed adjustment factors (e.g., multiplicative scalars) to the published non-U.S. mortality table or historical mortality improvement rates, the company shall provide robust support that the resulting table and historical mortality improvement factors for the non-U.S. country are at least as conservative as the 2017 CSO and historical mortality improvement developed by the SOA and adopted by LATF for the U.S. population. For proposed adjustment factors that result in a lower mortality level than the base non-U.S. mortality table, the company shall provide robust support that there are large geographic or other clear segments of the non-U.S. country that have significantly more heterogeneous mortality than can be found in the U.S. population. Showing the company's A/E relative to the non-U.S. base table is not sufficient for this purpose.
c) An Actual-to-Expected (A/E) analysis based on the company's historical experience and the proposed non-U.S. mortality table and historical mortality improvement rates, with and without any adjustment factors.
d) Discussion and support for why mortality levels and mortality improvement rates are higher or lower in the local jurisdiction than in the relevant U.S. insured population.
e) Copies of external studies or publications to provide support, whenever available.

The non-U.S. mortality tables that are to be used in the year-end YYYY valuation should be approved by the Life Actuarial (A) Task Force before September 30 of YYYY. If this timeline is not met, the company shall use the relevant non-U.S. mortality tables used in the prior year; if there are no relevant prior year non-U.S. mortality tables used, the company shall use the relevant U.S. mortality tables.

Deleted: T

Formatted: Font: 11 pt

Formatted: Font: 11 pt

Formatted: Justified

Formatted: Indent: Left: 0.75"

Deleted: should be approved the Life Actuarial (A) Task Force before September of YYYY.

Deleted: is

Company Information and Instructions

Company Name	
NAIC Company Code	
Valuation Year	

Name of Individual Submitting	
Company Title	
Email Address	
Phone number	

Note that the templates only apply to companies within the AG 55 scope stated in Section 2A

Although completion of these templates is preferred, the templates are samples; alternative reporting is allowed

Templates are as applicable; for instance, the Cash Flow Testing tab is completed only if cash-flow testing is performed

Templates should be completed even if assumptions match what is in the ceding company's VM-30 filing

Tabs should be added for each counterparty and can generally be added or removed as appropriate

Tabs may be added or deleted as relevant

Add more columns for counterparties as needed

Information Field	Product type *	Counterparty 1	Counterparty 2
Counterparty Name			
NAIC Company Code			
Description of Counterparty			
Explain whether this counterparty falls under Section 5.H.i.(a),			
Governing Jurisdiction of Counterparty			
Type of agreement (and # if multiple)			
Coinsurance Agreement (no funds withheld)			
Coinsurance Funds Withheld Agreement			
ModCo Agreement			
Other Agreement type			
Description of Collateral to Support Agreement/s **			
If trust, provide a description of conditions in which the funds			
Total Size of Agreements ($ millions)			
Reserve Credit			
Trust Amount			
Modco Account Amount			
Funds Withheld Account Amount			
Inforce Types of Business Covered by Agreement			
*Product type 1****			
*Product type 2****			
*Product type 3****			
*Product type 4****			

** e.g., PRT; fixed indexed or deferred annuities, with or without guarantees; UL, IUL with or without secondary guarantee, GICs, BOLI, VAs with or without guarantees*

*** If applicable and significant to understanding risk and exposure*

**** In the Counterparty columns, enter in reserves ceded for each product type, if available*

Add more columns for counterparties as needed

Information Field	**Counterparty 1**	**Counterparty 2**
Counterparty name (linked to Counterparty worksheet)	0	0
What is the reserve reduction from the cedent's pre-reinsurance reserve to the assuming party's post-reinsurance reserve?		
Are any securities used by the counterparty to support reserves or the cedent as collateral that falls under the definition of Guideline Excluded Assets? If so, please describe.		
Collectability Risk		
Capital basis, e.g., RBC, BSCR		
Ratio (RBC, BSCR, other, as applicable)		
Reserve basis		
Liquidity Ratio (from most recent reporting period)		
Credit Rating of the Counterparty from recognized rating agencies (provide each rating and agency name), where applicable		
If applicable, describe any late payments from the counterparty (timing, magnitude)		
Regulatory actions against counterparty		
Amount of assets required in supporting trusts, including any applicable level of over-collateralization		
Specify any required minimum ratios between book value and market value for supporting trusts		
High-level description of any investment guidelines required for the counterparty in the agreement(s)		
Contractually required minimum standards for RBC ratio, BSCR Ratio, or other financial measures		
High-level description of Cedent's Risk Mitigation for Counterparty Risk		

Counterparty Asset Summary for Cash Flow Testing *(a)*

Required if cash-flow testing is performed for AG 55 if assets are significantly different that provided in the ceding company's AG 53 filing

Add tabs for each counterparty

Asset Type	Amount[1] ($M)	%	P.H.N.Y. Amount ($M)	%	Affiliate[2] Amount ($M)	%	Amount of NAIC-1[5] Assets	%	Amount of NAIC-2[5] Assets	%	Amount Below Investment Grade[5]	%	Reinvestment Strategy (%)
Non-Primary Security *(do not include in other rows)*	0.0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0%
Treasuries and Agencies	0.0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0%
Public Non-Callable, Non-Convertible Corporate Bonds[3]	0.0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0%
Callable Bonds	0.0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0%
Convertible Securities[4]	0.0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0%
Floating Rate Corporate Notes	0.0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0%
Municipal Bonds	0.0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0%
Other Private Bonds	0.0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0%
Non-Convertible Preferred Stock	0.0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0%
Agency Mortgage Backed Securities	0.0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0%
Non-Agency Commercial Mortgage Backed Securities	0.0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0%
Non-Agency Residential Mortgage Backed Securities	0.0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0%
Collateralized Loan Obligations	0.0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0%
Other Asset Backed Securities	0.0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0%
Equities or Equity-Like Instruments	0.0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0%
Real Estate	0.0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0%
Mortgage Loans	0.0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0%
Schedule BA Assets - Equity-Like Instruments	0.0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0%
Schedule BA Assets - Non-Equity-Like Instruments	0.0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0%
Derivative Instruments	0.0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0%
Other - Not Covered Above[6]	0.0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0%
Total	**0.0**	**0%**	**0**	**0%**	**0**	**0%**	**0**	**0%**	**0**	**0%**	**0**	**0%**	**0%**

(1) Amount provided should be consistent with the valuation basis held for statutory accounting (i.e., book value for corporate bonds, market value for equities, etc.) as of the valuation date; the sum of column C should equal the sums of columns I, K and M
(2) "Affiliate Amount" means the amount of assets as of the valuation date within each category that is originated by affiliated legal entities or other entities within same insurance group
(3) Only include public non-convertible, fixed-rate corporate bonds with no or immaterial callability
(4) Convertible securities include convertible preferred stock
(5) For non-US counterparties, mapped to NAIC ratings

(6) Description of assets within "Other - Not Covered Above" Category

Explain any restrictions on investments specified in the reinsurance agreement

(a) Narrative about counterparty portfolio and assumptions if information is not available; and explanation of adjustments to template if data is not available in this format

Cedent Reinvestment Return Assumptions (for asset types in the starting portfolio that are not sold, enter initial asset assumption)

**If applicable, this table can be copied and pasted from the ceding company's AG 53 filing*

Asset Type	Gross Yield[1]	Default Assumption	Investment Expenses	Other[4]	Net Yield	Max Gross Yield	Max Net Yield	*Check*
Guideline Excluded Assets *(do not include in other rows)*	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Treasuries and Agencies	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Public Non-Callable, Non-Convertible Corporate Bonds[2]	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	*TRUE*
Callable Bonds	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	*TRUE*
Convertible Securities[3]	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	*TRUE*
Floating Rate Corporate Notes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	*TRUE*
Municipal Bonds	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	*TRUE*
Other Private Bonds	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	*TRUE*
Non-Convertible Preferred Stock	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	*TRUE*
Agency Mortgage Backed Securities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	*TRUE*
Non-Agency Commercial Mortgage Backed Securities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	*TRUE*
Non-Agency Residential Mortgage Backed Securities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	*TRUE*
Collateralized Loan Obligations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	*TRUE*
Other Asset Backed Securities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	*TRUE*
Equities or Equity-Like Instruments	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	*TRUE*
Real Estate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	*TRUE*
Mortgage Loans	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	*TRUE*
Schedule BA Assets - Equity-Like Instruments	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	*TRUE*
Schedule BA Assets - Non-Equity-Like Instruments	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	*TRUE*
Derivative Instruments	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	*TRUE*
Other - Not Covered Above	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	*TRUE*

(1) Yields provided should be consistent with the valuation basis held for statutory accounting (i.e., book value for corporate bonds, market value for equities, etc.)
(2) Only include public non-convertible, fixed-rate corporate bonds with no or immaterial callability
(3) Convertible securities include convertible preferred stock

(4) Description of net yield component within "Other" Category

Additional Commentary, incuding if not filled out due to assuming company performing all reinvestments

Assuming Party Reinvestment Return Assumptions (for asset types in the starting portfolio that are not sold, enter initial asset assumption)

**Add tabs for each counterparty or note in "additional commentary" if assumptions are the same for each counterparty*

Asset Type	Gross Yield[1]	Default Assumption	Investment Expenses	Other[4]	Net Yield	Max Gross Yield	Max Net Yield	Check
Guideline Excluded Assets *(do not include in other rows)*	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Treasuries and Agencies	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Public Non-Callable, Non-Convertible Corporate Bonds[2]	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	TRUE
Callable Bonds	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	TRUE
Convertible Securities[3]	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	TRUE
Floating Rate Corporate Notes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	TRUE
Municipal Bonds	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	TRUE
Other Private Bonds	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	TRUE
Non-Convertible Preferred Stock	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	TRUE
Agency Mortgage Backed Securities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	TRUE
Non-Agency Commercial Mortgage Backed Securities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	TRUE
Non-Agency Residential Mortgage Backed Securities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	TRUE
Collateralized Loan Obligations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	TRUE
Other Asset Backed Securities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	TRUE
Equities or Equity-Like Instruments	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	TRUE
Real Estate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	TRUE
Mortgage Loans	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	TRUE
Schedule BA Assets - Equity-Like Instruments	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	TRUE
Schedule BA Assets - Non-Equity-Like Instruments	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	TRUE
Derivative Instruments	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	TRUE
Other - Not Covered Above	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	TRUE

(1) Yields provided should be consistent with the valuation basis held for statutory accounting (i.e., book value for corporate bonds, market value for equities, etc.)
(2) Only include public non-convertible, fixed-rate corporate bonds with no or immaterial callability
(3) Convertible securities include convertible preferred stock

(4) Description of net yield component within "Other" Category

Additional Commentary

Cash Flow Testing Results *(1) (2)*

Present Value of Ending Surplus - Market Value ($M) (Baseline)

Scenario	Product Type 1	Product Type 2	Total
NY 1			
NY 2			
NY 3			
NY 4			
NY 5			
NY 6			
NY 7			

Present Value of Ending Surplus - Market Value ($M) (Sens Test Mortality)

Scenario	Product Type 1	Product Type 2	Total
NY 1			
NY 2			
NY 3			
NY 4			
NY 5			
NY 6			
NY 7			

Present Value of Ending Surplus - Market Value ($M) (Sens Test Low Lapse)

Scenario	Product Type 1	Product Type 2	Total
NY 1			
NY 2			
NY 3			
NY 4			
NY 5			
NY 6			
NY 7			

Present Value of Ending Surplus - Market Value ($M) (Sens Test Dyn Lapse)

Scenario	Product Type 1	Product Type 2	Total
NY 1			
NY 2			
NY 3			
NY 4			
NY 5			
NY 6			
NY 7			

Present Value of Ending Surplus - Market Value ($M) (Sens Test Asset Returns)

Scenario	Product Type 1	Product Type 2	Total
NY 1			
NY 2			
NY 3			
NY 4			
NY 5			
NY 6			
NY 7			

Present Value of Ending Surplus - Market Value ($M) (Sens test NGEs)

Scenario	Product Type 1	Product Type 2	Total
NY 1			
NY 2			
NY 3			
NY 4			
NY 5			
NY 6			
NY 7			

(1) If scenarios other than the NY 7 are modeled in the AOM, please present the results of those scenarios, *editing the template*

(2) Sensitivity tests are examples and should be relevant to the risks

Attribution Analysis ***(1)*** - *Difference between Pre-reinsurance reserve and Post-Reinsurance Reserve*

Product	

Add tabs for additional products or to show attribution analysis for an optional, alternative run *(2)*

Key Driver(s)	

		Pre-reinsurance Reserve (US stat CARVM/CRVM)	$ 100	**Explanation of Change**
			Approximate percentage change:	
Company decomposition of reserve	1	AG33 worst path vs. common path (as applicable)		
	2	Policyholder Behavior Assumptions		
	3	Mortality Assumptions		
	4	Other Liaiblity Assumptions		
	5	Discount Rates		
	6	Market Value/Book Value difference due to change in interest rates		
	7	Removal of Cash Surrender Value Floor		
	8	Investment Guardrail		
	9	Moderately adverse to less adversion (or best estimate) conversion		
	10	Scenario versus Deterministic		
	11	Other (specify)		
		Post-reinsurance Reserve (defined in Section 3.H. of AG 55)	$ 60	

Notes:	

(1) Attribution analysis may be provided in an alternative, user-friendly format, with similar information provided
(2) At option of the company, an additional attribution analysis may be provided based on the alternative run starting asset amount replacing the post-reinsurance reserve

Assumption information

Product	

Assuming company's assumptions are provided only if different from ceding company assumptions and applicable to the analysis

Mortality Assumption - ceding company

	Input:	Sample:
Base table, e.g., 2012 IAM		2012 IAM
% of base table		50%
Select & ultimate adjustments		None (annuity)
Mortality improvement		1% annual, durations 1-15
Other adjustments		None
Additional explanation		N/A

Mortality Assumption - assuming company

	Input:
Base table, e.g., 2012 IAM	
% of base table	
Select & ultimate adjustments	
Mortality improvement	
Other adjustments	
Additional explanation	

Lapse Assumption - ceding company

	Input:	Sample:
Ultimate lapse, down int. scen.		2%
Dynamic lapse, pop up int. scen.		40%
Shock lapse, post SC period		50%
Other key sample lapse rates		3% level, during SC period
Additional explanation		N/A

Lapse Assumption - assuming company

	Input:
Ultimate lapse, down int. scen.	
Dynamic lapse, pop up int. scen.	
Shock lapse, post SC period	
Other key sample lapse rates	
Additional explanation	

Other Assumptions - include explanation of any differences between ceding company and assuming company assumptions

Utilization and Partial Withdrawals for Guaranteed Living Benefits

Other Policyholder Behavior Assumptions (e.g., premium persistency, fund allocations, etc.)

Expenses (excluding commissions)

Other Key Assumptions Not Already Covered (including Non-Guaranteed Elements)

Margins / Provisions for Adverse Deviation for Cash Flow Testing

Assumption	Description
Applicable to All Products	
Mortality	
Lapse	
Expense	
Investment Returns	
Only Applicable for Flexible-Premium Products with Recurring Premium	
Premium Persistency	
Only Applicable to Annuities with Guaranteed Living Benefits	
Partial Withdrawals	
Utilization	
Applicable to Other Products, where applicable	
Other	

Draft: 11/30/25

Life Actuarial (A) Task Force
Virtual Meeting
October 30, 2025

The Life Actuarial (A) Task Force met Oct. 30, 2025. The following Task Force members participated: Cassie Brown, Chair, represented by Rachel Hemphill (TX); Scott A. White, Vice Chair, represented by Craig Chupp (VA); Heather Carpenter represented by Sharon Comstock (AK); Mark Fowler represented by Sanjeev Chaudhuri (AL); Peter M. Fuimaono represented by Edward Lotulelei (AS); Ricardo Lara represented by Ahmad Kamil (CA); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Ann Gillespie represented by Matt Cheung (IL); Holly W. Lambert represented by Scott Shover (IN); Marie Grant represented by Nour Benchaaboun (MD); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Eric Dunning represented by Michael Muldoon (NE); Justin Zimmerman represented by Seong-min Eom (NJ); Kaitlin Asrow represented by William B. Carmello (NY); Judith L. French represented by Peter Weber (OH); TK Keen represented by Tashia Sizemore and Joshua Blakey (OR); Michael Humphreys represented by Steve Boston (PA); and Jon Pike represented by Tomasz Serbinowski (UT).

1. Re-Exposed Revisions to AG 49-A

Slutsker introduced the latest revisions to *Actuarial Guideline XLIX-A—Application of the Life Illustrations Model Regulation to Policies with Index-Based Interest Sold On or After December 14, 2020* (AG 49-A) that had incorporated feedback from interested parties. The updates included: 1) adding the word “annualized” when referring to both historical and illustrated index crediting rates; 2) clarifying that the requirements do not prohibit showing the rates calculated in Section 4(B)i in the basic or supplemental illustration; and 3) adding a statement that indicated that historical returns shown in illustrations may not be indicative of future results. Brian Lessing (American Academy of Actuaries—Academy) spoke to the Academy’s comment letter; noting tradeoffs in setting a minimum historical period since index inception to allow illustration and supporting the inclusion of additional language indicating how past performance may not be indicative of future results.

Brian Bayerle (American Council of Life Insurers—ACLI) said that the edits to AG 49-A were reflective of the ACLI’s comments. Bayerle then noted that he had received a question from an ACLI member regarding mandatory illustration of an index once it reaches the minimum historical period and suggested a future edit to the language to allow 90 days after a minimum historical period is reached to implement the index illustration. Hemphill suggested that this could be a verbal edit to include in the re-exposure. Benchaaboun noted his support for the Academy’s suggestion to add a statement that historical returns are not necessarily indicative of future results but suggested using the word “returns” instead of “results”.

Serbinowski raised concerns about the use of historical index performance in illustrations, noting that the parameters of the index crediting could vary significantly depending on the company's strategy and which could make the illustration using historical performance misleading. Yanacheak agreed with concerns about using historical index performance and suggested exploring an illustration approach similar to what is used for variable annuities. Kim O’Brien (Federation for Americans for Consumer Choice—FACC) requested flexibility for insurance carriers to utilize the revisions to AG 49-A prior to the April 1, 2026, effective date. Blakey questioned the necessity of O’Brien’s suggested revision, given that the language states that the new disclosures are required “on or after April 1, 2026,” but do not prohibit the additional disclosures. After hearing Blakey’s comment, O’Brien agreed that the current language addressed her concern.

Slutsker made a motion, seconded by Benchaaboun, to expose the revisions to AG 49-A with the ACLI's and Benchaaboun's suggested edits for a 13-day public comment period ending Nov. 11. The motion passed unanimously.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/A CMTE/LATF/2025-3-Summer/LATF Calls/10 30/Oct 30 Minutes.docx

Draft: 11/18/25

Life Actuarial (A) Task Force
Virtual Meeting
October 23, 2025

The Life Actuarial (A) Task Force met Oct. 23, 2025. The following Task Force members participated: Cassie Brown, Chair, represented by Rachel Hemphill (TX); Scott A. White, Vice Chair, represented by Craig Chupp (VA); Heather Carpenter represented by Sharon Comstock (AK); Peter M. Fuimaono represented by Elizabeth Perri (AS); Ricardo Lara represented by Ahmad Kamil (CA); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Ann Gillespie represented by Matt Cheung (IL); Holly W. Lambert represented by Scott Shover (IN); Vicki Schmidt represented by Nicole Boyd (KS); Marie Grant represented by Nour Benchaaboun (MD); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Angela L. Nelson represented by William Leung (MO); Eric Dunning represented by Michael Muldoon (NE); Justin Zimmerman represented by Seong-min Eom (NJ); Kaitlin Asrow represented by William B. Carmello (NY); Judith L. French represented by Peter Weber (OH); TK Keen represented by Tashia Sizemore and Joshua Blakey (OR); and Michael Humphreys represented by Steve Boston (PA).

1. Adopted its 2026 Proposed Charges

Hemphill walked through the Task Force's 2026 proposed charges and noted that the Life and Annuity Illustrations (A) Subgroup had been removed. Hemphill said that the Life Insurance and Annuities (A) Committee will consider forming a group focused on illustrations that would be able to consider a broader scope beyond actuarial considerations.

Chupp made a motion, seconded by Leung, to adopt the Task Force's 2026 charges (Attachment Four-A). The motion passed unanimously.

2. Re-Exposed AG 55 Reporting Templates

Andersen walked through updates to the draft templates for *Actuarial Guideline LV—Application of the Valuation Manual for Testing the Adequacy of Reserves Related to Certain Life Reinsurance Treaties* (AG 55) reporting that had been made based on feedback from interested parties. Andersen noted the following changes: 1) instructions were added on the "Company Info and Instructions" tab; 2) reserve basis was added as one of the rows in the "Risk Identification" tab; 3) information was added noting that the "Counterparty Portfolio" tab only needed to be filled out if the assets were significantly different than the ceding company's *Actuarial Guideline LIII—Application of the Valuation Manual for Testing the Adequacy of Life Insurer Reserves* (AG 53) report; and 4) information was added that could be copied and pasted from AG 53 reports, if applicable, for the "Asset Yields – Ceding and Asset Yields – Assuming" tabs.

Andersen addressed a comment received from Peter Gould (Retired Annuity Consumer) on whether the AG 55 templates could be made public, explaining that the information within the reports was confidential under the *Standard Valuation Law* (#820) and the *Valuation Manual*. However, Andersen said that aggregate findings from AG 55 reporting could be discussed at public meetings.

Andersen made a motion, seconded by Cheung, to expose the AG 55 templates for a 14-day public comment period ending Nov. 5. The motion passed unanimously.

Draft: 10/23/25
Adopted by the Executive (EX) Committee and Plenary, ___ __, ____
Adopted by the Life Insurance and Annuities (A) Committee, ___ __, ____
Adopted by the Life Actuarial (A) Task Force, 10/23/25

2026 Proposed Charges

Deleted: 5

LIFE ACTUARIAL (A) TASK FORCE

The mission of the Life Actuarial (A) Task Force is to identify, investigate, and develop solutions to actuarial problems in the life insurance industry.

Ongoing Support of NAIC Programs, Products, or Services

1. The **Life Actuarial (A) Task Force** will:
   A. Work to keep reserve, reporting, and other actuarial-related requirements current. This includes principle-based reserving (PBR) and other requirements in the *Valuation Manual*, actuarial guidelines, and recommendations for appropriate actuarial reporting in blanks. Respond to charges from the Life Insurance and Annuities (A) Committee and referrals from other groups or committees, as appropriate.
   B. Report progress on all work to the Life Insurance and Annuities (A) Committee and provide updates to the Financial Condition (E) Committee on matters related to life insurance company solvency. This work includes the following:
      i. Work with the American Academy of Actuaries (Academy) and the Society of Actuaries (SOA) to develop new mortality tables for valuation and minimum nonforfeiture requirements for life insurance and annuities, as appropriate.
      ii. Provide recommendations for guidance and requirements for accelerated underwriting (AU) and other emerging underwriting practices, as needed.
      iii. Work with the SOA on the annual development of the Generally Recognized Expense Table (GRET) factors.
      iv. Provide recommendations and changes to other reserve and nonforfeiture requirements to address issues as appropriate and provide actuarial assistance and commentary to other NAIC committees relative to their work on actuarial matters.
      v. Work with the selected vendor to develop and implement the new generator of economic scenarios (GOES) for use in regulatory reserve and capital calculations.
      vi. Monitor international developments regarding life and health insurance reserving, capital, and related topics. Compare and benchmark these with PBR requirements.
      vii. Coordinate with the Reinsurance (E) Task Force on actuarial items related to reinsurance.

2. The **Experience Reporting (A) Subgroup** will:
   A. Continue the development of the experience reporting requirements within the *Valuation Manual*. Provide input on the process regarding the experience reporting agent, data collection, and subsequent analysis and use of experience submitted.

3. The **Generator of Economic Scenarios (GOES) (E/A) Subgroup** of the Life Risk-Based Capital (E) Working Group and the Life Actuarial (A) Task Force will:
   A. Monitor that the economic scenario governance framework is being appropriately followed by all relevant stakeholders involved in scenario delivery.
   B. Review material GOES updates, either driven by periodic model maintenance or changes to the economic environment, and provide recommendations.

Deleted: 4

© 2025 National Association of Insurance Commissioners 1

LIFE ACTUARIAL (A) TASK FORCE (*continued*)

C. Regularly review key economic conditions and metrics to evaluate the need for off-cycle or significant GOES updates, and maintain a public timeline for GOES updates.
D. Support the implementation of the GOES for use in statutory reserve and capital calculations.
E. Develop and maintain acceptance criteria that reflect history as well as plausibly more extreme scenarios.

4. The **Longevity Risk (E/A) Subgroup** of the Life Risk-Based Capital (E) Working Group and the Life Actuarial (A) Task Force will:
   A. Provide recommendations for recognizing longevity risk in statutory reserves and/or risk-based capital (RBC), as appropriate.

5. The **Variable Annuities Capital and Reserve (E/A) Subgroup** of the Life Risk-Based Capital (E) Working Group and the Life Actuarial (A) Task Force will:
   A. Monitor the variable annuities (VA) reserve framework and RBC calculation, and determine if revisions need to be made.
   B. Develop and recommend appropriate changes, including those to improve the accuracy and clarity of VA capital and reserve requirements and reporting.

6. The **Valuation Manual (VM)-22 (A) Subgroup** will:
   A. Address topics designated as post-launch activities following the implementation of the VM-22 principle-based reserving (PBR) framework.
   B. Monitor the non-variable (fixed) annuities reserve framework and determine if revisions need to be made.
   C. Develop and recommend appropriate changes, including those that improve the accuracy and clarity of the VM-22 reserve requirements and reporting.

NAIC Support Staff: Scott O'Neal/Jennifer Frasier

SharePoint/NAIC Support Staff Hub/Member Meetings/A CMTE/LATF/2025-3-Fall/Charges/007_LATF.docx

Deleted: <#>The **Life and Annuity Illustration (A) Subgroup** will:¶
Consider changes to *Actuarial Guideline XLIX-A—The Application of the Life Illustrations Model Regulation to Policies with Index-Based Interest to Policies Sold on or After December 14, 2020* (AG 49-A), as needed. Provide recommendations for the consideration of changes to the *Life Insurance Illustrations Model Regulation* (#582) to the Task Force, as needed.¶
Consider any guidance, actions, or recommendations that may be necessary to regulate annuity illustration practices.¶

Deleted: Life Actuarial (A) Task Force

Deleted: Life Risk-Based Capital (E) Working Group

Deleted: <#>Recommend requirements for non-variable (fixed) annuities in the accumulation and payout phases for consideration by the Task Force, as appropriate. Continue working with the Academy on a PBR methodology for non-variable annuities.¶

Deleted: 4

Deleted: 2025

Deleted: 4

Draft: 11/17/25

Life Actuarial (A) Task Force
Virtual Meeting
October 2, 2025

The Life Actuarial (A) Task Force met Oct. 2, 2025. The following Task Force members participated: Cassie Brown, Chair, represented by Rachel Hemphill (TX); Scott A. White, Vice Chair, represented by Craig Chupp (VA); Heather Carpenter represented by Sharon Comstock (AK); Mark Fowler represented by Sanjeev Chaudhuri (AL); Peter M. Fuimaono represented by Edward Lotulelei (AS); Ricardo Lara represented by Ahmad Kamil (CA); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Ann Gillespie represented by Matt Cheung (IL); Angela L. Nelson represented by William Leung (MO); Marie Grant represented by Nour Benchaaboun (MD); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Justin Zimmerman represented by Seong-min Eom (NJ); Adrienne A. Harris represented by William B. Carmello (NY); Judith L. French represented by Peter Weber (OH); TK Keen represented by Tashia Sizemore (OR); Michael Humphreys represented by Steve Boston (PA); and Jon Pike represented by Tomasz Serbinowski (UT).

1. Adopted the 2026 GRETs

Chupp made a motion, seconded by Cheung, to adopt the 2026 Generally Recognized Expense Tables (GRETs) (Attachment Five-A). The motion passed unanimously.

2. Adopted APF 2025-05 (Contractually Guaranteed Revenue Sharing)

Hemphill introduced amendment proposal form (APF) 2025-05, which would add a guidance note to provide clearer definitions of what constitutes “guaranteed revenue sharing income” in Valuation Manual (VM)-20, Requirements for Principle-Based Reserves for Life Insurance, and VM-21, Requirements for Principle-Based Reserves for Variable Annuities.

Brian Bayerle (American Council of Life Insurers—ACLI) recommended striking “explicitly” from “explicitly modeled at such level of granularity” from VM-20, Section 9.G.8. Bayerle emphasized that the inclusion of the word could suggest that modeling simplifications would not be allowed. Hemphill declined the revision because the *Valuation Manual* is written to allow for simplifications, approximations, and modeling efficiency techniques subject to certain requirements.

Chupp made a motion, seconded by Kamil, to adopt the APF 2025-05 (Attachment Five-B). The motion passed unanimously.

3. Exposed its 2026 Proposed Charges

Hemphill discussed the Task Force’s proposed 2026 charges, noting that the main changes resulted from the adoption of VM-22, Principle-Based Reserve Requirements for Non-Variable Annuities, and a revised focus for the VM-22 (A) Subgroup. Serbinowski asked whether the approval of international mortality tables should be included in the proposed charges. Hemphill pointed to the Task Force’s charge 1.A. as likely covering the potential approval of international mortality tables and noted that requests may be made during the exposure.

Kim O’Brien (Federation of Americans for Consumer Choice—FACC) questioned the lack of specifics under the Life and Annuity Illustration (A) Subgroup’s charges. Hemphill pointed out that work was currently being done to assess illustration practice and determine whether changes needed to be made. Andersen added that there may be actuarial and non-actuarial aspects of the Subgroup, where specific charges would come from NAIC leadership or a parent committee.

Hemphill exposed the Task Force's 2026 proposed charges for a 10-day public comment period ending Oct. 13.

4. Exposed APF 2025-13 (Non-US Mortality Documentation Requirements)

Hemphill walked through APF 2025-13, which requires additional documentation for the Task Force to consider the adoption of international tables. These materials include: 1) valuation results illustrating differences between the use of a U.S. mortality table and the requested international mortality table; 2) robust support for adjustment factors for lower mortality levels; 3) actual to expected analysis; 4) narrative discussion about why mortality is different in the local jurisdiction; and 5) copies of external studies or publications to support non-U.S. tables. Hemphill said that APF 2025-13 also includes a June 1 deadline for requests and documentation support.

Serbinowski asked whether the Task Force would approve an industry-wide international table or the use of an international table for a specific company. Hemphill clarified that, for instance, the Task Force could potentially approve the Canadian Institute of Actuaries (CIA) table for Canadian business, and note that all companies would then be able to use it. She added that any multiplicative scalars would be more likely to be approved for a specific company if approved, to the extent they represent a specific geographic subset of the overall population that may not apply to other insurers. Additionally, Hemphill stated that the Task Force would look to the Society of Actuaries (SOA) to provide information on non-U.S. mortality tables and mortality improvement studies.

Serbinowski then asked whether a company should be required to consistently apply international tables for other non-U.S. blocks of business if it used an international mortality table for one block of non-U.S. business. Hemphill stated that a company cannot just pick between international and U.S. tables, selecting the most favorable for different non-U.S. blocks of business.

Eric Holt (Globe Life) requested clarification on whether it is a requirement for companies with non-U.S. business to use international mortality tables. Hemphill stated that for 2025, no non-U.S. tables were approved, and companies will continue to use U.S. mortality tables, applying any upward adjustments needed based on the comparison to anticipated mortality required by VM-20 Section 3.C.1.g. However, for future years, Hemphill said that companies are required to submit non-U.S. mortality tables for approval by the Task Force.

Serbinowski questioned whether a June 1 submission deadline allows enough time for consideration by the Task Force before approval deadline of September. Linda Lankowski (Reinsurance Group of America—RGA) and Holt noted that any submission requirements before June 1 would be challenging, given other company efforts with VM-20 reporting. Lankowski suggested adding that the Task Force approve international mortality tables by a deadline of Sept. 30. Hemphill agreed to add the Sept. 30 deadline to APF 2025-13.

Leung made a motion, seconded by Chupp, to expose APF 2025-13 with Lankowski's suggested edits for a 21-day public comment period ending Oct. 22. The motion passed unanimously.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/A CMTE/LATF/2025-3-Summer/LATF Calls/10 02/Oct 02 Minutes.docx

8770 W Bryn Mawr Ave, Suite 1000
Chicago, IL 60631
+1-888-697-3900

TO: Rachel Hemphill, Chair, Life Actuarial (A) Task Force

FROM: Pete Miller, ASA, MAAA, Experience Study Actuary, Society of Actuaries (SOA) Research Institute
R. Dale Hall, FSA, MAAA, CFA, CERA, Managing Director, Research

DATE: August 1, 2026

RE: 2026 Generally Recognized Expense Table (GRET) – SOA Research Institute Analysis

Dear Ms. Hemphill:

As in previous years, the Society of Actuaries Research Institute expresses its thanks to NAIC staff for their assistance and responsiveness in providing Annual Statement expense and unit data for the 2026 GRET analysis for use with individual life insurance sales illustrations. The analysis is based on expense and expense-related information reported on each company's 2023 and 2024 Annual Statements. This project has been completed to assist the Life Actuarial Task Force (LATF) in considering potential revisions to the GRET that could become effective for the calendar year 2026. This memo describes the analysis and resultant findings.

NAIC staff provided Annual Statement data for life insurance companies for calendar years 2023 and 2024. This included data from 745 companies in 2023 and 712 companies in 2024. This decrease resumes the trend of small decreases from year to year. Of the total companies, 380 were in both years and passed the outlier exclusion tests and were included as a base for the GRET factors (378 companies passed similar tests last year).

Approach Used

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

To calculate updated GRET factors, the average of the factors from the two most recent years (2023 and 2024 for those companies with data available for both years) of Annual Statement data was used. For each company, an actual-to-expected (A/E) 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 years to increase the response rate to the surveys of companies that submit Annual Statements 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 the enhancement of this multiple distribution channel information.

Companies were excluded from the analysis if in either 2023 or 2024, (1) their A/E 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' A/E 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 2026 GRET values shown in Table 1. To facilitate comparisons, the current 2025 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 2026 GRET FACTORS, BASED ON AVERAGE OF 2023/2024 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	$217	$1.20	54%	$65	150	2,666	223
Career	238	1.30	60%	72	95	2,854	215
Direct Marketing	263	1.40	65%	79	24	490	142
Niche Marketing	126	0.70	32%	38	25	996	15
Other*	175	1.00	44%	53	86	961	90
* Includes companies that did not respond to this or prior year surveys					380		

TABLE 2

CURRENT 2025 GRET FACTORS, BASED ON AVERAGE OF 2022/2023 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	$204	$1.10	51%	$61	147	3,008	241
Career	227	1.20	57%	68	86	2,739	218
Direct Marketing	239	1.30	59%	72	24	465	119
Niche Marketing	131	0.70	33%	39	27	649	12
Other*	159	0.90	40%	48	94	869	81
* Includes companies that did not respond to this or prior year surveys					378		

In previous recommendations, an effort was made to reduce volatility in the GRET factors from year to year by limiting the yearly change in GRET factors to about ten percent of the prior value. The changes from the 2025 GRET were reviewed to ensure that a significant change was not made in this year's GRET recommendation.

Four GRET factors for the Direct Marketing distribution channel exceeded the 10% threshold and were therefore capped. The capping adjustments were necessary only for the Direct Marketing distribution channel, where raw increases exceeded the 10% threshold across all four factors. This action limited volatility and ensured consistency for illustration purposes despite inherent fluctuations in smaller-sample, high-variability channels. No capping was required for Independent, Career, Niche, or Other channels.

Usage of the GRET

This year's survey, responded to by each company's Annual Statement correspondent, included a question regarding whether the 2025 GRET table was used in its illustrations by the company. Last year, 34% of responders indicated their company used GRET for sales illustration purposes. This year, 35% of responding companies indicated they used the 2025 GRET for sales illustration purposes. Usage levels have returned to the historical range of 31–35% after the spike to 44% in 2023. The responses covered all major distribution methods, with 44% from Independent, 50% from Career, and 6% from Direct Marketing; no respondents from Niche Marketers reported using the GRET Factors. 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,

Peter J. Miller

R. Dale Hall

Pete Miller, ASA, MAAA
Experience Studies Actuary
Society of Actuaries Research Institute

R. Dale Hall, FSA, MAAA, CFA, CERA
Managing Director, Research
Society of Actuaries Research Institute

Appendix A – Distribution Channels

The following is a description of distribution channels used in the development of recommended 2023 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.

SOA Research INSTITUTE

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 2026 GRET and the 2025 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

Life Actuarial (A) Task Force/ Health Actuarial (B) Task Force
Amendment Proposal Form*

1. Identify yourself, your affiliation, and a very brief description (title) of the issue.

   Identification:
   Rachel Hemphill, Texas Department of Insurance
   Jacob Allensworth, Texas Department of Insurance
   Elaine Lam, California Department of Insurance
   Ben Slutsker, Minnesota Department of Commerce

   Title of the Issue:
   Modify the guidance notes under VM-20 Sections 9.G.8 and VM-21 Sections 4.A.5 to provide clearer definitions and examples of what constitutes as "contractually guaranteed" revenue sharing income

2. Identify the document, including the date if the document is "released for comment," and the location in the document where the amendment is proposed:

   Guidance notes under VM-20 Sections 9.G.8 and VM-21 Sections 4.A.5

   January 1, 2025 NAIC Valuation Manual

3. Show what changes are needed by providing a red-line version of the original verbiage with deletions and identify the verbiage to be deleted, inserted, or changed by providing a red-line (turn on "track changes" in Word®) version of the verbiage. (You may do this through an attachment.)

   See attached.

4. State the reason for the proposed amendment? (You may do this through an attachment.)

   This APF adds additional examples of provisions in a revenue-sharing agreement that would prevent the revenue-sharing income from being considered "contractually guaranteed". Specifically, the new examples highlight provisions where revenue-sharing payments depend on the status or balance of a particular plan or fund, making the income non-guaranteed. These additions aim to clarify what qualifies as "contractually guaranteed" revenue-sharing income and what does not.

   Revise to take out of guidance notes and make regular text, as they clarify revenue-sharing requirements.

Dates: Received	Reviewed by Staff	Distributed	Considered
02/10/2025	S.O.		
Notes: APF 2025-05 2/20/25:Revised to include cover letter question on appropriateness of guidance note vs. language in body and clarification of including both affiliated and nonaffiliated entities. 3/22/25: Add a clarifying sentence in two places, and update to move text out of guidance notes. 4/24/25: replaced "level" with "rate" when referring to revene-sharing income in two additional places for consistency 7/21/2025: After ACLI comment and discussion with a company, updates highlighted in yellow			

VM-20, Section 9.G.8 (Editorial Note: also remove boxing around text.)

Provisions that give the entity (affiliated or non-affiliated) paying the revenue-sharing income the option to unilaterally stop or change the rate of income paid would prevent the income from being guaranteed. Similarly, if the revenue-sharing income is contingent upon the status of a particular plan or fund, and that plan or fund can be terminated, replaced, or not renewed by the paying entity without being replaced by a plan or fund that would result in the same level of guaranteed revenue-sharing income, the revenue-sharing income would not be considered guaranteed. Furthermore, if the rate of revenue-sharing income is tiered or otherwise depends on the total balances of a particular plan or fund, a portion or the entirety of the income (depending on the structure of the performance-based provisions) would not be considered guaranteed beyond the lowest tier unless all the tiers are guaranteed and explicitly modeled at such level of granularity. If the portion of the revenue-sharing income that is contingent can't be readily identified and separated, then the entirety of revenue sharing for the agreement should be considered non-guaranteed. However, if such options, contingencies, or dependencies become available only at a future point in time, and the revenue up to that time is guaranteed, the income is considered guaranteed until the point at which any such options, contingencies, or dependencies first become available.

Deleted: Guidance Note:
Deleted: such as one
Deleted: s
Deleted: GRSI
Deleted: level
Deleted: level
Deleted: an
Deleted: s
Deleted: up to the time
Deleted: the option first becomes available.

If the agreement allows the company to unilaterally take control of the underlying fund fees that ultimately result in the revenue sharing, then the revenue is considered guaranteed up until the time at which the company can take such control. Since it is unknown whether the company can perform the services associated with the revenue sharing agreement at the same expense level, it is presumed that expenses will be higher in this situation. Therefore, the revenue-sharing income shall be reduced to account for any actual or assumed additional expenses.

Deleted: Guidance Note:

VM-21, Section 4.A.5 (Editorial Note: also remove boxing around text.)

Provisions that give the entity (affiliated or non-affiliated) paying the revenue-sharing income the option to unilaterally stop or change the rate of income paid would prevent the income from being guaranteed. Similarly, if the revenue-sharing income is contingent upon the status of a particular plan or fund, and that plan or fund can be terminated, replaced, or not renewed by the paying entity without being replaced by a plan or fund that would result in the same level of guaranteed revenue-sharing income, the revenue-sharing income would not be considered guaranteed. Furthermore, if the rate of revenue-sharing income is tiered or otherwise depends on the total balances of a particular plan or fund, a portion or the entirety of the income (depending on the structure of the performance-based provisions) would not be considered guaranteed. If the portion of the revenue-sharing income that is contingent can't be readily identified and separated, then the entirety of revenue sharing for the agreement should be considered non-guaranteed beyond the lowest tier unless all the tiers are guaranteed and explicitly modeled at such level of granularity. However, if such options, contingencies, or dependencies become available only at a future point in time, and the revenue up to that time is guaranteed, the income is considered guaranteed until the point at which any such options, contingencies, or dependencies first become available.

Deleted: Guidance Note:
Deleted: such as one
Deleted: s
Deleted: level
Deleted: level
Deleted: an
Deleted: s
Deleted: up to the time the option first becomes available

If the agreement allows the company to unilaterally take control of the underlying fund fees that ultimately result in the revenue sharing, then the revenue is considered guaranteed up until the time at which the company can take such control. Since it is unknown whether the company can perform the services associated with the revenue sharing agreement at the same expense level, it is presumed that expenses will be higher in this situation. Therefore, the revenue-sharing income shall be reduced to account for any actual or assumed additional expenses.

Deleted: **Guidance Note:**

Draft: 11/6/25

Life Actuarial (A) Task Force
Virtual Meeting
September 25, 2025

The Life Actuarial (A) Task Force met Sept. 25, 2025. The following Task Force members participated: Cassie Brown, Chair, represented by Rachel Hemphill (TX); Scott A. White, Vice Chair, represented by Craig Chupp (VA); Heather Carpenter represented by Sharon Comstock (AK); Ricardo Lara represented by Ahmad Kamil (CA); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Ann Gillespie represented by Matt Cheung (IL); Holly W. Lambert represented by Scott Shover (IN); Vicki Schmidt represented by Nicole Boyd (KS); Marie Grant represented by Nour Benchaaboun (MD); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Angela L. Nelson represented by William Leung (MO); Justin Zimmerman represented by Seong-min Eom (NJ); Adrienne A. Harris represented by William B. Carmello (NY); Judith L. French represented by Peter Weber (OH); Glen Mulready represented by Andy Schallhorn (OK); TK Keen represented by Tashia Sizemore (OR); and Michael Humphreys represented by Steve Boston (PA).

1. Reported Regulator-Only Sessions

Hemphill reported that the Task Force met Aug. 10, Aug. 21, and Sept. 18 in regulator-to-regulator session pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings. Hemphill said that the Task Force meetings on Aug. 10 and Aug. 21 were to review confidential company submissions related to international mortality. During those meetings, Hemphill said that regulators determined that they would need more information to be able to make approval decisions on international mortality tables. Hemphill said that the meeting on Sept. 18 was to discuss state insurance regulator reviews of company illustration practices, and that no action was taken at that meeting.

2. Adopted its Summer National Meeting Minutes

Chupp made a motion, seconded by Leung, to adopt the Task Force's Aug 9–10 minutes (*see NAIC Proceedings – Summer 2025, Life Actuarial (A) Task Force)*. The motion passed unanimously.

3. Exposed Revisions to AG 49-A

Slutsker went over revisions *to Actuarial Guideline XLIX-A—Application of the Life Illustrations Model Regulation to Policies with Interest-Based Interest Sold On or After December 14, 2020* (AG 49-A) that had been made based on feedback from commenters, including: 1) revising the definitions of "historical period" and "inception date" to better account for blended and composite indices; 2) clarifying that the benchmark index account may be a hypothetical benchmark index account; and 3) changing "annual" to "annualized" when referencing rates of indexed credits.

Brian Lessing (American Academy of Actuaries—Academy) and Brian Bayerle (American Council of Life Insurers—ACLI) agreed that their comments had been incorporated into the latest draft but noted that they would want to comment during a re-exposure on the minimum historical period since index inception allowed for illustration. Benchaaboun noted that the *Annuity Disclosure Model Regulation* (#245) required a minimum of 10 years of historical data to illustrate an index and said that the revisions to AG 49-A should be consistent. Bayerle pointed out that Model #245 was not widely adopted across NAIC member jurisdictions and thus is not a suitable benchmark for consistency.

Slutsker made a motion, seconded by Benchaaboun, to expose the revisions to AG 49-A for a 21-day public comment period ending Oct. 15. The motion passed unanimously.

4. Exposed AG 55 Reporting Templates

Andersen walked through draft templates that could be used optionally for *Actuarial Guideline LV—Application of the Valuation Manual for Testing the Adequacy of Reserves Related to Certain Life Reinsurance Treaties* (AG 55) reporting. The templates include sections for companies to provide information on: 1) the company; 2) counterparties; 3) risk identification; 4) the composition of and return characteristics of the counterparty asset portfolios; 5) the composition of and return characteristics of the cedant's asset portfolio; 6) cash flow testing results; 7) attribution analyses between the pre-reinsurance reserve and the total reserve held after reinsurance; 8) assumptions for both the cedant and assuming company; and 9) margins included in the analysis.

Bayerle suggested that the instructions be made clear to indicate that not all of the tabs are relevant or appropriate to fill out, depending on the company's circumstances. He gave the example that not all companies will use the New York Seven (NY7) scenarios in their analysis.

Peter Gould (Retired Annuity Consumer) asked whether the counterparty portfolio information would be reflective of other requirements for better disclosure on bonds. Andersen replied that the new bond definitions would not likely have much of an impact on the AG 55 reporting, but that they would get a narrative description of the assets that would allow for an appropriate understanding of their characteristics.

Regarding the information provided on the "Asset Yields – Ceding" tab, Bayerle suggested that an indicator be added to let the reviewer know that the tab is consistent with what the company provided in its *Actuarial Guideline LII—Application of the Valuation Manual for Testing the Adequacy of Life Insurer Reserves* (AG 53) reporting. Bayerle also suggested adding another indicator in the "Cash Flow Testing" tab that would let the reviewer know when an alternative analysis to running the NY7 was performed. Andersen said that he would consider making those changes to the templates.

Andersen noted that he had heard feedback from the Academy indicating that the order of the steps taken in performing the attribution analysis mattered. He said he also heard from the ACLI that the categories currently provided in the template may not be appropriate for all companies. Bayerle said that the ACLI would provide more detailed feedback in a comment letter, but that additional flexibility might need to be added to the attribution analysis tabs.

Douglas Brown (Aviva) suggested adding a line that accounted for the difference between generally accepted accounting principles (GAAP) and statutory accounting. Cheung noted that for some companies, a single GAAP to statutory accounting line may be appropriate, but others may have to break it down into more detail.

Andersen made a motion, seconded by Leung, to expose the AG 55 templates for a 21-day public comment period ending Oct. 15. The motion passed unanimously.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/A CMTE/LATF/2025-3-Summer/LATF Calls/09 25/Sept 25 Minutes.docx

November 24, 2025

From: Pete Weber, Chair
The Variable Annuities Capital and Reserve (E/A) Subgroup

To: Rachel Hemphill, Chair
The Life Actuarial (A) Task Force

Subject: The Report of the Variable Annuities Capital and Reserve (E/A) Subgroup (VACR SG) to the Life Actuarial (A) Task Force

The VACR SG met Oct. 31, 2025, in joint session with the Life Risk-Based Capital (E) Working Group, to discuss comments that were received on the exposure of the proposed changes to the C-3 Phase I/C-3 Phase II calculations and the life RBC instructions as well as discussing the proposed changes to be re-exposed and also discussed the proposed scope clarification on variable annuity contracts in the payout phase for both the *Valuation Manual* and the life RBC instructions.

The proposed changes to the C-3 Phase I/C-3 Phase II calculations and the life RBC instructions were re-exposed for a 60-day public comment period ending Jan. 5, 2026. The proposed scope clarification on variable annuity contracts in the payout phase for both the *Valuation Manual* and the life RBC instructions was exposed for a 28-day public comment period ending Dec. 1. Additionally, the proposed changes to the VM-21 supplement and instructions were adopted.

See NAIC Proceedings – Spring 2026, Life RBC (E) Working Group

December 7, 2025

From: Ben Slutsker, Chairperson
Elaine Lam, Vice Chairperson
The VM-22 (A) Subgroup

To: Rachel Hemphill, Chair
The Life Actuarial (A) Task Force

Subject: The Report of the VM-22 (A) Subgroup to the Life Actuarial (A) Task Force

The VM-22 Principles-Based Reserves (PBR) framework was adopted at the NAIC Summer National Meeting, effective for applicable non-variable annuity contracts issued on 1/1/2026 or later, with a three year optional implementation period up until 1/1/2029.

Since the adoption of VM-22, the NAIC VM-22 (A) Subgroup has also adopted an amendment to require the following:

- Disclosure of an attribution analysis between the Stochastic Reserve and Standard Projection Amount, and
- Including the Additional Standard Projection Amount (ASPA) in the PBR reserve calculation if there is a lack of credible data supporting actuarial assumptions.

In addition, there have been exposures on the topics of aggregation, settlement options, and deposit-type contracts. Comments received on these exposures will be discussed by the Life Actuarial (A) Task Force (LATF) at the NAIC Fall National Meeting.

The Subgroup has also held five regulator-only calls over the past two months, pursuant to paragraph 3 of the NAIC Policy Statement on Open Meetings (specific companies, entities or individuals), to discuss company-specific results and perspectives on potential VM-22 application to non-variable annuity contracts currently inforce. A variety of views and possible decision points have been presented on this topic, with further conversation to take place during LATF at the NAIC Fall National Meeting. In addition, LATF also plans to discuss whether to revisit the reinvestment guardrail in the VM-22 PBR calculation for pension risk transfer business during the NAIC Fall National Meeting. Both topics are expected to continue being discussed in 2026.

Draft: 10/23/25

Valuation Manual (VM)-22 (A) Subgroup
Virtual Meeting
September 17, 2025

The VM-22 (A) Subgroup of the Life Actuarial (A) Task Force met Sept. 17, 2025. The following Subgroup members participated: Ben Slutsker, Chair (MN); Elaine Lam, Vice Chair (CA); Lei Rao-Knight (CT); Mike Yanacheak (IA); Matt Cheung (IL); William Leung (MO); Matthew Ryan (NY); Rachel Hemphill and Iris Huang (TX); Tomasz Serbinowski (UT); and Craig Chupp (VA).

1. Adopted APF 2025-12 (VM-22 SPA Disclosures and Credibility)

Slutsker introduced amendment proposal form (APF) 2025-12. On April 3, the Life Actuarial (A) Task Force made a referral to the Subgroup to address regulators' concerns regarding the VM-22, Requirements for Principle-Based Reserves standard projection amount (SPA). APF 2025-12 contains guidance to strengthen company assumptions or margins if an additional standard projection among (ASPA) is indicated. Slutsker said the guidance states that the SPA is not a safe harbor, and companies should have robust support for the development of all company assumptions and margins.

Brian Bayerle (American Council of Life Insurers – ACLI) said the ACLI's edits were intended to clarify the intent of the APF.

Leung made a motion, seconded by Cheung, to adopt APF 2025-12, including the ACLI's proposed edits (Attachment Ten-A). The motion passed unanimously.

2. Exposed Questions on Aggregation, Settlement Options, and Deposit-Type Contracts

Slutsker said Attachment B in the meeting materials includes questions regarding whether aggregation across payout and accumulation categories should require eligibility criteria or just disclosure (Attachment Ten-B). He said Attachment C includes questions about settlement options for contracts issued before VM-22 principle-based reserving (PBR) (Attachment Ten-C). Slutsker said Attachment D explores whether references to VM-22 and deposit-type contracts should be retained in VM Section II, Reserve Requirements, and VM-01, Definitions for Terms and Requirements (Attachment Ten-D). Slutsker invited suggestions for amendments.

Chueng said the definition of "host contracts" was broad and suggested asking for clarification in the exposure on the application to payout annuities emanating from variable and non-variable host contracts. He said responses to the type of edits may change based on the scope of host contracts. Slutsker agreed.

The Subgroup exposed all three attachments for a 60-day public comment period ending Nov. 17.

3. Discussed the Requirements for Calculating DR and SR

Clarification was requested regarding the requirements for calculating both deterministic reserves (DR) and stochastic reserves (SR) under VM-22, Section 4: Determination of the DR and SR.

Slutsker clarified that companies do not calculate both DR and SR for a single group of policies or contracts under VM-22. The SR is determined unless the stochastic exclusion test (SET) is passed. If the SET is passed, companies may choose to model those contracts in accordance with VM-22 PBR or value them using pre-PBR standards.

Contracts eligible for passing the single scenario test (SST) are limited in scope, and VM-22 specifies that some contracts are not eligible for the SST.

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

Life Actuarial (A) Task Force/ Health Actuarial (B) Task Force
Amendment Proposal Form*

1. Identify yourself, your affiliation and a very brief description (title) of the issue.

   VM-22 (A) Subgroup
   Addressing LATF referral for the VM-22 Standard Projection Amount (SPA): Disclosures & Credibility

2. Identify the document, including the date if the document is "released for comment," and the location in the document where the amendment is proposed:

   June 18, 2025
   APF 2025-12
   NAIC Valuation Manual, VM-22 Section 3.C and VM-31 Section 3.F.14.k

Deleted: XX

3. Show what changes are needed by providing a red-line version of the original verbiage with deletions and identify the verbiage to be deleted, inserted or changed by providing a red-line (turn on "track changes" in Word®) version of the verbiage. (You may do this through an attachment.)

   See attachment

4. State the reason for the proposed amendment? (You may do this through an attachment.)

   On April 3, 2025, the NAIC Life Actuarial (A) Task Force voted to make a referral to the NAIC VM-22 Subgroup to address regulator concerns raised during the Subgroup discussion regarding the VM-22 Standard Projection Amount. These concerns were primarily focused on inserting the SPA as a floor mechanism upon no or limited credibility supporting actuarial assumptions, as well as enhanced disclosures if the SPA serves only as a disclosure item.

   In the referral, LATF directed the VM-22 Subgroup to:
   1. Require an attribution analysis, individually covering all material drivers and a residual impact, between the SR and SPA whenever an ASPA is indicated.
   2. Require an attribution analysis, individually covering all material drivers and a residual impact, between the SR and SPA for all companies at least every 3 years.
   3. Clarify that if an ASPA is indicated and the company is not strengthening their reserves in response to the SPA result, they need to provide support that the material drivers of the difference are due to company assumptions that can be supported based on reliable, relevant, and credible company data.
   4. Reiterate that the SPA is not a safe harbor.

   The edits outlined in this amendment proposal are intended to provide wording to address the four items above.

* This form is not intended for minor corrections, such as formatting, grammar, cross–references or spelling. Those types of changes do not require action by the entire group and may be submitted via letter or email to the NAIC staff support person for the NAIC group where the document originated.

NAIC Staff Comments:

Dates: Received	Reviewed by Staff	Distributed	Considered
6/17/25	S.O./A.F.		
Notes: 2025-12 Exposed 6/20/25 by Ben Slutserk, Chair of VM-22 Subgroup for a 60-day commend period ending 8/19/25. Adopted by VM-22 Subgroup 9/17/25.			

VM-22 Section 3.C

C. The Additional Standard Projection Amount

The additional standard projection amount is determined by applying the standard projection method defined in Section 6.

Where an Additional Standard Projection Amount is indicated, the company should strengthen the assumptions and/or margins used for the SR until an ASPA would no longer be indicated, unless the Company can show that the difference between the SR and the SPA can be attributed to differences between the assumptions prescribed for the SPA and the company assumptions, for assumptions where the company assumption is based on company experience data that is reliable, relevant, and credible.

However, the SPA disclosure is not a safe harbor. An ASPA not being indicated does not automatically imply that the assumptions and/or margins used for the SR or DR are appropriate. The Company should have robust support for the development of all company assumptions and margins.

If an ASPA is not indicated, subject to the requirements in this subjection, the additional standard projection amount is only required for disclosure purposes pursuant to VM-31.

Deleted: the company does not need to strengthen

Deleted: T

Deleted: **Guidance Note:** To further expand upon use of the Standard Projection Amount (SPA), the NAIC Life Actuarial (A) Task Force adopted a referral to the VM-22 (A) Subgroup on April 3, 2025 that states the following:¶
¶
"*LATF directs the VM-22 Subgroup to:*¶
1. Require an attribution analysis, individually covering all material drivers and a residual impact, between the SR and SPA whenever an ASPA is indicated.¶
2. Require an attribution analysis, individually covering all material drivers and a residual impact, between the SR and SPA for all companies at least every 3 years.¶
3. Clarify that if an ASPA is indicated and the company is not strengthening their reserves in response to the SPA result, they need to provide support that the material drivers of the difference are due to company assumptions that can be supported based reliable, relevant, and credible company data.¶
4. Reiterate that the SPA is not a safe harbor."¶
¶
Therefore, although not included in the NAIC Valuation Manual effective for 1/1/2026 due to time constraints, the VM-22 (A) Subgroup will develop language to address the above directive for the 1/1/2027 Valuation Manual. Upon such adoption by the Life Actuarial (A) Task Force, as feasible, companies are encouraged to incorporate such changes for 2026 reporting. The enhanced disclosures will ensure an effective SPA and enable the VM-22 (A) Subgroup and LATF to evaluate the SPA framework as adopted within three years.¶

VM-31 Section 3.F.14

k. Attribution Analysis for VM-22

i. For groups of contracts that calculate a SR or DR under VM-22 requirements, where an ASPA is indicated and the Company can support not strengthening the assumptions and/or margins used for the SR or DR until an ASPA would no longer be indicated, the Company should provide an attribution analysis between the SR and the SPA, individually covering all material drivers and a residual impact. For any material drivers, support should be provided that the Company assumption is based on Company experience data that is reliable, relevant, and credible.

ii. For groups of contracts that calculate a SR or DR under VM-22 requirements, where an ASPA is not indicated, the Company should provide an attribution analysis between the SR or DR and the SPA, individually covering all material drivers and a residual impact, at least every three years. For any material drivers, support should be provided that the Company assumption is based on Company experience data that is reliable, relevant, and credible.

Guidance Note: The VM-22 Subgroup and LATF will be reevaluating the decision to make the SPA a disclosure within three years. The strength and reliability of the SPA disclosures, including the attribution analysis, in initial years will be a key consideration for that reevaluation.

VM-22 Aggregation Exposure Questions

Sep 17, 2025

1. Aggregation Eligibility Criteria vs. Disclosure-Only – Should aggregation of Payout and Accumulation annuity Reserving Categories include prerequisites to permit aggregation, as currently required in VM-22 within the 2026 Valuation Manual, or should the aggregation always be permitted, only including disclosures around such?

2. Types of Criteria – What types of criteria should be listed for aggregating Payouts and Accumulation Reserving Categories (whether included as eligibility criteria or disclosure-only)? See the current criteria listed in the VM-22 Section 3.F.2 excerpt below.

3. Amendments – Do you have any proposed amendments to VM-22 or VM-31 (e.g., additional wording changes) regarding aggregation across Reserving Categories?

For reference, below are excerpts from VM-22 and VM-31 within the 2026 Valuation Manual:

VM-22 Section 3.F.2

2. The Payout Annuity Reserving Category and Accumulation Reserving Category may be aggregated only if they meet the following criteria:

    a. The company manages the risks of the contracts within both categories in an integrated risk management process.

    b. The contracts within both categories are managed within a single portfolio, or portfolios with the same ALM strategy.

Guidance Note: For the purposes of aggregating payout and accumulation reserving categories, the Subgroup plans to revisit whether to include prerequisites to permit aggregation, as well as which criteria and disclosures to focus on for such aggregation.

VM-31 Section 3.F.14.j

j. Aggregation – The following information on aggregation:

    i. Disclosure of the impact of aggregation, that is, a comparison of seriatim calculations compared to aggregation permitted under VM-21 or VM-22, and discussion of the method used to determine the impact, pursuant to Section 6.A.1.a in VM-21 or VM-22.

    ii. For VM-22, support that the criteria in VM-22 Section 3.F.2 is met.

    iii. To the extent that aggregation is done across multiple model segments, whether across reserving categories or within a reserving category, the methodology used to allocate the aggregation benefit across model segments shall be documented.

VM-22 Treatment of Settlement Options Exposure Questions   Sep 17, 2025

1. Pre-PBR vs. Post PBR for Settlement Options – For settlement options that occur after the VM-22 implementation date but stem from host contracts issued prior to the VM-22 implementation date, should settlement options be subject to the pre-VM-22 requirements or post-VM-22 requirements?

2. Valuation Rates for Settlement Options – For settlement options that are subject to formulaic reserve requirements (i.e., either settlements occur before the implementation date of VM-22 or use the exclusion test within VM-22), should the valuation rate be based on the date of the settlement option or the date of when the host contract was issued?

3. VM Section II in VM-22 – Based on responses to the above questions, should the word "host contracts" be retained or removed from VM Section II, Subsection 2.C, as shown below?

C. Minimum reserve requirements for non-variable annuity contracts issued prior to 1/1/2026 are those requirements as found in VM-A, VM-C, and VM-V as applicable, with the exception of the minimum requirements for the valuation interest rate for single premium immediate annuity contracts, and other similar contracts, issued after Dec. 31, 2017, including those fixed payout annuities emanating from host contracts issued on or after Jan. 1, 2017, and on or before Dec. 31, 2017. The maximum valuation interest rate requirements for those contracts and fixed payout annuities are defined in VM-V, Statutory Maximum Valuation Interest Rates for Formulaic Reserves.

4. Amendments – Based on the responses to the above, do you have any proposed amendments to VM-22 (e.g., additional wording changes)?

VM-22 Deposit-Type Contract Exposure Questions

Sep 17, 2025

1. VM Section II – In the 2026 Valuation Manual, VM-22 is mentioned in Subsection 3 of VM Section II (i.e., reserve requirements for "Deposit-Type Contracts"). Should the reference to VM-22 be retained or removed?

2. Annuity Certain Definition- In the 2026 Valuation Manual, Deposit-Type Contracts are mentioned in VM-01 under the definition of "Term Certain Payout Annuity". Should the reference to "Deposit-Type Contracts" be retained or removed?

3. Amendments – Based on the responses to the above, do you have any proposed amendments to VM-22 (e.g., additional wording changes)?

For reference, an excerpt from SSAP No. 50 regarding Deposit-Type Contracts is included below:

44. Deposit-type contracts shall include contracts without any life or disability contingencies, including, but not limited to, certain types of the following policy categories:

a. Supplemental contracts

b. Lottery payouts

c. Structured settlements

d. Guaranteed interest contracts

e. Income settlement options

f. Dividend and coupon accumulations

g. Annuities certain

h. Premium and other deposit funds

i. Funding Agreements without well-defined class-based (e.g. age, gender) annuity purchase rates defining either specific or maximum purchase rate guarantees (see SSAP No. 15, paragraph 19, paragraph 20 of this statement and *SSAP No. 52—Deposit-Type Contracts*, paragraph 21.)

Draft: 12/1/25

Longevity Risk (E/A) Subgroup
Virtual Meeting
November 19, 2025

The Longevity Risk (E/A) Subgroup of the Life Risk-Based Capital (E) Working Group and Life Actuarial (A) Task Force met Nov. 19, 2025. The following Subgroup members participated: Seong-min Eom, Chair (NJ); Lei Rao-Knight (CT); Mike Yanacheak (IA); Ben Slutsker (MN); William B. Carmello (NY); Peter Weber (OH); Rachel Hemphill (TX); and Tomasz Serbinowski (UT).

1. Discussed Detailed Longevity Reinsurance Proposals

Linda Lankowski (American Academy of Actuaries—Academy) noted that the Academy's proposal (Attachment Eleven-A) is based on modeling a mortality stress scenario and subtracting the reserves. The stress scenario would be based on a shock to the mortality improvement or the overall mortality. Lankowski noted that while shocks would need to be calibrated, the proposal does not expect companies to perform complicated projection modeling.

Brian Bayerle (American Council of Life Insurers—ACLI) said the ACLI's proposal (Attachment Eleven-B) recommended using the present value of benefits from the model, then multiplying it by the current C-2 factors found in the 2025 risk-based capital (RBC) instructions until updated factors are recommended by the Academy. The ACLI's proposal includes an offset to account for premium and fees that were not used for reserving purposes due to the floor of the reserves. Bayerle said the proposal accounts for business issued prior to VM-22, Requirements for Principle-Based Reserving for Non-Variable Annuities, in which case the companies would use the offset from their cash-flow testing model. For business issued under VM-22, the offset would come from the VM-22 principle-based reserving (PBR) model.

Hemphill questioned whether the ACLI's proposal creates a materiality issue because, in the PBR model, that may have been treated as immaterial but would be material in terms of C-2. She noted that if so, there may need to be an update to PBR for how materiality is handled. Bayerle said he would take the question back to the ACLI to discuss the potential need for materiality changes due to the different purposes.

Slutsker provided an overview of Minnesota's proposal, which he presented during the Subgroup's Oct. 9 meeting. He said Minnesota's approach asks a philosophical question about moving to a principles-based capital approach, similar to C-3 for market risk. He noted that the approach does not use the current C-2 factors or look at the VM-22 reserves.

Serbinowski asked how Minnesota views its proposal in relation to the Academy calculation and whether the approach would consider using the Academy's shock approach instead of the 1% or 2% used as a placeholder in Minnesota's proposal. Slutsker said the Academy's proposal to use the total asset requirement minus the statutory reserve made sense, and the shock for the mortality under Minnesota's proposal could be consistent with the shocks proposed by the Academy.

Lankowski asked for clarification regarding the conditional tail expectation (CTE) 90 and CTE 70 calculations in Minnesota's proposal. She asked Slutsker to confirm there were no investment shocks that would cause double-counting. Slutsker confirmed that the only shocks are with respect to mortality.

Eom stated that New Jersey's proposal (Attachment Eleven-C) was similar in structure to the ACLI's proposal but used a different set of C-2 factors. Eom said the proposed factors were based on the sensitivities New Jersey had run. She said she planned to provide the analysis for discussion at the Fall National Meeting. Gary Hu (Prudential) asked whether New Jersey's proposal used the total reserve or the reserve floor. Eom said the proposal used the reserve floor that is multiplied by the proposed factor(s).

2. Discussed the Adoption Timeline

Eom said the four proposals will be discussed and exposed in more detail to the broader Life Actuarial (A) Task Force audience at the Fall National Meeting to maintain the timeline for 2026 adoption. Amy Fitzpatrick (NAIC) provided an overview of the timeline and said that due to the structural changes required for all methods, the Subgroup should submit the recommendation to the Life Risk-Based Capital (E) Working Group by March 1, 2026.

Having no further business, the Longevity Risk (E/A) Subgroup adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/A CMTE/LATF/2025-3 Fall/LongevitySG/11 19/Nov 19_LongevitySG.docx

November 14, 2025

Seong-min Eom, Chair,
Longevity Risk (E/A) Subgroup
National Association of Insurance Commissioners

Re: Request for Longevity Reinsurance C2 Proposal and LR025-A redline.docx

Dear Chair Eom:

On behalf of the Longevity Risk Task Force (the Task Force) of the American Academy of Actuaries,[1] I am sharing some feedback regarding a framework for the RBC C-2 charge for longevity reinsurance.

Product Background

Longevity reinsurance transactions are structured agreements between ceding companies and assuming companies designed to transfer the risk associated with annuitants living longer than expected.

These contracts typically include fixed premiums and fees, based on a mortality basis specified in the contract. These fixed premiums and fees *do not vary* with the survival experience of annuitants. The longevity benefits (the "floating" leg) under these transactions, depend on the actual survival experience of the covered annuitants. As more annuitants live beyond projected life expectancies, the reinsurer's obligation to pay benefits extends beyond original expectations.

For many of these contracts, the fixed premiums and fees are larger than the payable longevity benefits, especially in the early years of the contract. This sufficiency can result in a portion of the fixed premiums and fees not being recognized in reserves.

Academy's Proposal

Following up from the Academy's letter sent on September 15, 2025, and reviewing the proposals from Minnesota, New Jersey, and the ACLI, the LRTF proposes a principle-based Total Asset Requirement (TAR) approach to determining the C-2 Longevity Reinsurance capital charge, which will be discussed below. Our proposal discusses two items, 1) structure of the capital charge and 2) calibration of longevity shock. Due to the tight timeframe, we prioritized the structure of the capital charge. We are unable to recommend a specific calibration of longevity shocks and will be happy to discuss calibration at a future date.

1. *Structure of the capital charge:* The LRTF recommends a principle-based approach where the total required assets (i.e., the TAR) required to support liabilities under an

[1] The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 60 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

appropriate stress scenario is determined, and the capital charge is calculated to be the excess of the TAR over the reserves, subject to a floor of zero.

We propose the following structure for a TAR-based framework:

- Project future premiums & reinsurance fees
- Project future benefits and expenses using a mortality shock appropriately calibrated
- Calculate TAR as present value of shocked future benefits and expenses minus present value of premiums & fees
- C-2 for Longevity Reinsurance risk = maximum {TAR – Statutory Reserve, 0}
- Companies would be required to perform this calculation on an annual basis to determine the capital amount

2. *Calibration of longevity risk shock:* An appropriate stress scenario should follow the same principles as the stresses developed for current C-2 Longevity. Those principles are 1) calibrating shocks to 95^{th} percentile relative to 85th percentile (standard for reserves) and 2) independence of mortality improvement and mortality level shocks. Further analysis would be needed before providing any additional recommendations on matters including the appropriateness of applying the existing mortality improvement and mortality shocks to longevity reinsurance and/or whether these same shocks would or would not be appropriate for contracts covering non-U.S. lives.

If there are any questions or if the Subgroup would like to discuss these comments or the example further, please contact Amanda Barry-Moilanen, the Academy's life policy project manager (barrymoilanen@actuary.org).

Sincerely,

Linda Lankowski, MAAA, FSA
Chairperson, Longevity Risk Task Force
American Academy of Actuaries

Brian Bayerle
Chief Life Actuary
202-624-2169

Colin Masterson
Sr. Policy Analyst
202-624-2463

November 17, 2025

Seong-min Eom
Chair, NAIC Longevity Risk (E/A) Subgroup

Re: October 2025 Request for Longevity Reinsurance C-2 Proposal and LR025-A

Dear Chair Eom:

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide additional commentary on the NAIC Longevity Risk (E/A) Subgroup's effort to develop Life Risk Based Capital Longevity Risk C-2 factor(s) for longevity reinsurance business. We would also like to take this time to thank regulators, NAIC staff, and other interested parties for the robust dialogue and proposals which have already been put forth and discussed at the October 9th Subgroup meeting.

As previously stated in our comments from September 15th, ACLI continues to support applying the C-2 factor to the present value of benefits, with an offset credit for future surplus not included in calculated statutory reserves. Specifically, our approach boils down to:

- C-2 capital = Max (0, A - B), where
  - A = C-2 factor * PV Benefits (or floating leg) (i.e., the Statement Value), and
  - B = PV Premiums + Fees (or fixed leg) not already used for reserving purposes (i.e., the Offset Credit, which should also include investment and expense considerations).

Accompanying this comment letter, ACLI has provided redlined edits to LR025-A and an illustrative spreadsheet demonstrating the calculation. If there are any questions about the materials we provided, please do not hesitate to reach out to ACLI staff.

Thank you all once again and we look forward to additional discussion soon.

Sincerely,

B Bayerle Colin Masterson

cc: Amy Fitzpatrick, NAIC

American Council of Life Insurers | 300 New Jersey Avenue, NW, 10th Floor | Washington, DC 20001

LR025-A LONGEVITY RISK

Longevity Risk (E/A) Subgroup Exposure 10/16/25:

Exposed for 30-day comment period ending November 14, 2025.

Please submit detailed proposals or any comments for approaches to developing Life Risk Based Capital Longevity Risk C-2 factor(s) for longevity reinsurance business. The Subgroup is seeking development of specific C-2 factor values with deep technical analysis.

Proposals should include as applicable to the approach:

- Detailed descriptions of how to calculate the value where the proposed C-2 factor will be applied, including how an offset credit for future surplus not included in calculated statutory reserves is reflected in the approach, if such descriptions are not provided in the proposal (e.g. present value of benefits, with an offset credit for future surplus not included in calculated statutory reserves, as proposed by American Council of Life Insurers or a principle-based TAR approach suggested by the American Academy of Actuaries) to be reported in a new line in LR025-A.
- A redline of LR025-A and the accompanying instructions to illustrate how the proposed approach would be reported. Add new lines and columns as applicable (see next three pages).
- For principle-based C-2 factors include a redline of LR025-A to show how the company should report the factor as well as how the final calculation of the longevity requirement amount should be performed since the factors will differ between longevity reinsurance and other in scope products.

Note: Other exhibits use LR025-A Lines 5, Column 2 values therefore any structural changes to LR025-A may require non-structural changes to the following:

- LR030, CALCULATION OF TAX EFFECT FOR LIFE AND FRATERNAL RISK-BASED CAPITAL – Line 138b Longevity C-2 Risk, Source column
- LR031, CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL – Line 48b Longevity Risk, Source column

LR025-A LONGEVITY RISK

		Annual Statement Source	(1) Statement Value		Factor		(2) Requirement
	Life Contingent Annuity Reserves Excluding Longevity Reinsurance						
(1)	General Account Life Contingent Annuity Reserves	Exhibit 5 Column 2 Line 0299999, in part‡	$0				
(2)	General Account Life Contingent Supplemental Contract Reserves	Exhibit 5 Column 2 Line 0399999, in part‡	$0				
(3)	General Account Life Contingent Miscellaneous Reserves	Exhibit 5 Column 2 Line 0799999, in part‡	$0				
(4)	Separate Account (SA) Life Contingent Annuity Reserves	S/A Exhibit 3 Column 2 Line 0299999, in part‡	$0				
(5)	Total Life Contingent Annuity Reserves Excluding Longevity Reinsurance	Lines (1) + (2) + (3) + (4)	$0	X	†	=	$0
			========				============
	Longevity Reinsurance						
(6)	Present Value of Longevity Reinsurance Benefits	Company Records (enter a pre-tax amount)	$0	X	†		$0
(7)	Reduction in RBC for ~~Cash Flow Components in Excess of Benefits~~Discounted Accumulated Sufficiency	Company Records (enter a pre-tax amount)					$0
(8)	Total Longevity Reinsurance	If Line (6) > Line (7), then Line (6) - Line (7), else 0					$0
(9)	Total Life Contingent Annuity Reserves	Lines (5) + (8)					$0

† The tiered calculation is illustrated in the Longevity Risk section of the risk-based capital instructions.
‡ Include only the portion of reserves for products in scope per the instructions

Denotes items that must be manually entered on the filing software.

LR025-A LONGEVITY RISK

- LR030, CALCULATION OF TAX EFFECT FOR LIFE AND FRATERNAL RISK-BASED CAPITAL – Line 138b Longevity C-2 Risk, Source column

		Source	RBC Amount	Tax Factor	RBC Tax Effect
(138b)	Longevity C-2 Risk	LR025-A Longevity Risk Column (2) Line (9~~5~~)	____________	0.2100	

- LR031, CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL – Line 48b Longevity Risk, Source column

		Source	RBC Requirement
(48b)	Longevity C-2 Risk	LR025-A Longevity Risk Column (2) Line (9~~5~~)	____________

LONGEVITY RISK

LR025-A

Basis of Factors

The factors chosen represent surplus needed to provide for claims in excess of reserves resulting from increased policyholder longevity calibrated to a 95th percentile level. For the purpose of this calibration aggregate reserves were assumed to provide for an 85th percentile outcome.

Longevity risk was considered over the entire lifetime of the policies since these annuity policies are generally not subject to repricing. Calibration of longevity risk considered both trend risk based on uncertainty in future population mortality improvements, as well as level or volatility risk which derives from misestimation of current population mortality rates or random fluctuations. Trend risk applies equally to all populations whereas level and volatility risk factors decrease with larger portfolios consistent with the law of large numbers.

Except for longevity reinsurance, ~~S~~statutory reserve was chosen as the exposure base as a consistent measure of the economic exposure to increased longevity. Factors were also scaled by reserve level since number of insured policyholders is a less accessible measure of company specific volatility risk. Factors provided are pre-tax and were developed assuming a 21% tax adjustment would be subsequently applied.

For longevity reinsurance, the present value of benefits offers a more consistent measure of risk exposure than statutory reserves. The excess of the remainder of the cash flows (premiums, fees, investment income, and expenses) exceeding benefits should be considered as offsets to the charge when these items are not reflected elsewhere in the statutory reserve framework. Specifically, for longevity reinsurance under Principle-Based Reserving (PBR), the reduction in RBC equals the greater of the negative of the unfloored calculated reserve and 0. For longevity reinsurance not under PBR, the reduction in RBC should be the excess of the aforementioned cash flows over benefits using the company's Cash Flow Testing model on a standalone basis.

LR025-A LONGEVITY RISK

Specific Instructions for Application of the Formula

Excluding longevity reinsurance, a~~A~~nnual statement reference is for the total reserve for the products in scope. The scope includes annuity products with life contingent payments where benefits are to be distributed in the form of an annuity. The entire reserve amount for contracts in scope that include any life contingent payments are in scope. For example, under a certain-and-life style annuity, the entire reserve for both the certain payments and life contingent payments are in scope. Variable immediate annuity reserves under VM-21 are also in scope where there are life contingent payments. Scope does not include annuity products that are not life contingent, or deferred annuity products where the policyholder has a right but not an obligation to annuitize. A certain-and-life style annuity, where only certain payments remain (such as following the death of the annuitant), is out of scope. Variable deferred annuity contract reserves under VM-21 are out of scope, including reserves valued under VM-21 for any contracts where policyholder account value has reached zero, but a lifetime benefit may still be payable by the insurer. Line (3) for General Account Life Contingent Miscellaneous reserves is included in the event there are any reserves for products in scope reported on Exhibit 5 line 0799999; it is not meant to include cash flow testing reserves reported on this line. Included in scope are:

- Single Premium Immediate Annuities (SPIA) and other payout annuities in pay status
- Deferred Income Annuities which will enter annuity pay status in the future
- Structured Settlements for annuitants with any life contingent benefits
- Group Annuities, such as those associated with pension liabilities with both immediate and deferred benefits

The total reserve exposure is then further broken down by size as in a tax table. This breakdown will not appear on the RBC filing software or on the printed copy, as the application of factors to reserves is completed automatically. The calculation is as follows:

		(1)		(2)
Line (5)	Life Contingent Annuity Reserves Excluding Longevity Reinsurance	Statement Value	Factor	RBC Requirement
	First 250 Million	________	X 0.0171 =	________
	Next 250 Million	________	X 0.0108 =	________
	Next 500 Million	________	X 0.0095 =	________
	Over 1,000 Million	________	X 0.0089 =	________

LR025-A LONGEVITY RISK

	Total Life Contingent Annuity Reserves Excluding Longevity Reinsurance	______		______

For Longevity Reinsurance, the company modeling of benefits is the basis for the statement value. Specifically, the statement value should be the present value of benefits from an appropriate model. For longevity reinsurance that is being reserved under PBR, the present value of benefits should come from their PBR model. For longevity reinsurance that is not being reserved under PBR, the company should use their Cash Flow Testing model.

The present value of benefits exposure is then further broken down by size as in a tax table. This breakdown will not appear on the RBC filing software or on the printed copy, as the application of factors to present value of benefits is completed automatically. The calculation is as follows:

Line (6)	Present Value of Longevity Reinsurance Benefits~~Longevity Reinsurance~~	Statement Value	Factor	RBC Requirement
	First 250 Million	______	X 0.0171 =	______
	Next 250 Million	______	X 0.0108 =	______
	Next 500 Million	______	X 0.0095 =	______
	Over 1,000 Million	______	X 0.0089 =	______
	Present Value of Longevity Reinsurance Benefits~~Total Life Contingent Annuity Reserves Excluding Longevity Reinsurance~~	______		______

LR025-A LONGEVITY RISK

Line (7)
There is a reduction in RBC for the discounted accumulated sufficiency at the end of the projection to the valuation date ~~excess of the~~reflecting the remainder of the cash flows (premiums, fees, investment income, ~~and~~ less benefits and expenses) ~~exceeding benefits that are not reflected elsewhere in the statutory reserve framework~~. For longevity reinsurance that is being reserved under PBR, the present value of premiums, fees, investment income, less benefits and expenses should come from the company's PBR model; this should result in the reduction in RBC equaling the greater of the negative of the unfloored calculated reserve and 0.

For longevity reinsurance that is not being reserved under PBR, the present value of premiums, fees, investment income, less benefits and expenses should come from the company's Cash Flow Testing model ~~to the extent those cash flows are not supporting the sufficiency of the testing~~. The reduction in RBC should be the excess of the aforementioned cash flows over benefits using the company's Cash Flow Testing model on a standalone basis.

The amount ultimately included in the authorized control level will be subject to a guardrail factor of 0_and a correlation factor of -.25.

NJ Proposal for Longevity Reinsurance C-2 Factor Development.

The proposed methodology is to develop the Life RBC C-2 Longevity Risk factor for Longevity Reinsurance, as the product of quantities Factor and Base, as defined below:

- **Factor** – A scalar factor (currently factors ranging from 5.0 to 9.607 are being considered, varying based on the size of the total reserves).
- **Base –** is set equal to the floor used in the PBR VM-22 reserve calculations (the floor is currently set equal to 2% of the benefits payable within the 12 months, following the valuation date).

Notes:

1. Factor will be selected such that the product of Factor x Base will approximate the impact of the 95th percentile mortality and mortality improvement shock over the 85th percentile of mortality and mortality improvement shock, on an after-tax basis.
2. The rationale for selecting the statutory reserve floor as the base is that:
    a. the reserves tend to start out very small (often at the reserve floor level referenced above), then grow substantially higher; while the impact of mortality and mortality deterioration tends to be proportional to liabilities only (not the reserves) and
    b. as the block of business matures, this would be consistent with higher volatility of the runoff business (when the volumes become small) and lack of credible older age mortality data.
3. Once the Factor is set, it won't be updated unless there are material changes in the mortality level and mortality trend patterns, or longevity reinsurance market distribution (e.g., expansion of the longevity reinsurance market to other countries).

LR025-A LONGEVITY RISK

Longevity Risk (E/A) Subgroup Exposure 10/16/25:

Exposed for 30-day comment period ending November 14, 2025.

Please submit detailed proposals or any comments for approaches to developing Life Risk Based Capital Longevity Risk C-2 factor(s) for longevity reinsurance business. The Subgroup is seeking development of specific C-2 factor values with deep technical analysis.

Proposals should include as applicable to the approach:

- Detailed descriptions of how to calculate the value where the proposed C-2 factor will be applied, including how an offset credit for future surplus not included in calculated statutory reserves is reflected in the approach, if such descriptions are not provided in the proposal (e.g. present value of benefits, with an offset credit for future surplus not included in calculated statutory reserves, as proposed by American Council of Life Insurers or a principle-based TAR approach suggested by the American Academy of Actuaries) to be reported in a new line in LR025-A.
- A redline of LR025-A and the accompanying instructions to illustrate how the proposed approach would be reported. Add new lines and columns as applicable (see next three pages).
- For principle-based C-2 factors include a redline of LR025-A to show how the company should report the factor as well as how the final calculation of the longevity requirement amount should be performed since the factors will differ between longevity reinsurance and other in scope products.

Note: Other exhibits use LR025-A Lines 5, Column 2 values therefore any structural changes to LR025-A may require non-structural changes to the following:

- LR030, CALCULATION OF TAX EFFECT FOR LIFE AND FRATERNAL RISK-BASED CAPITAL – Line 138b Longevity C-2 Risk, Source column
- LR031, CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL – Line 48b Longevity Risk, Source column

LR025-A LONGEVITY RISK

			(1)				(2)
		Annual Statement Source	Statement Value		Factor		Requirement
	Life Contingent Annuity Reserves						
(1)	General Account Life Contingent Annuity Reserves	Exhibit 5 Column 2 Line 0299999, in part‡	$0				
(2)	General Account Life Contingent Supplemental Contract Reserves	Exhibit 5 Column 2 Line 0399999, in part‡	$0				
(3)	General Account Life Contingent Miscellaneous Reserves	Exhibit 5 Column 2 Line 0799999, in part‡	$0				
(4)	Separate Account (SA) Life Contingent Annuity Reserves	S/A Exhibit 3 Column 2 Line 0299999, in part‡	$0				
(5)	Total Life Contingent Annuity Reserves	Lines (1) + (2) + (3) + (4)	$0	X	†	=	$0
			========				============

† The tiered calculation is illustrated in the Longevity Risk section of the risk-based capital instructions.
‡ Include only the portion of reserves for products in scope per the instructions

Denotes items that must be manually entered on the filing software.

LONGEVITY RISK

LR025-A

Basis of Factors

The factors chosen represent surplus needed to provide for claims in excess of reserves resulting from increased policyholder longevity calibrated to a 95^{th} percentile level. For the purpose of this calibration aggregate reserves were assumed to provide for an 85^{th} percentile outcome.

Longevity risk was considered over the entire lifetime of the policies since these annuity policies are generally not subject to repricing. Calibration of longevity risk considered both trend risk based on uncertainty in future population mortality improvements, as well as level or volatility risk which derives from misestimation of current population mortality rates or random fluctuations. Trend risk applies equally to all populations whereas level and volatility risk factors decrease with larger portfolios consistent with the law of large numbers.~~.~~

For non-Longevity Reinsurance products s~~S~~tatutory reserve was chosen as the exposure base as a consistent measure of the economic exposure to increased longevity. For Longevity Reinsurance products statutory reserve floor (as defined in VM-22) was chosen as the exposure base which lines up with the economic exposure to increased longevity than VM-22 reserves. Factors were also scaled by reserve level since number of insured policyholders is a less accessible measure of company specific volatility risk. Factors provided are pre-tax and were developed assuming a 21% tax adjustment would be subsequently applied.

Specific Instructions for Application of the Formula

Annual statement reference is for the total reserve for the products in scope. The scope includes annuity products with life contingent payments where benefits are to be distributed in the form of an annuity. The entire reserve amount for contracts in scope that include any life contingent payments are in scope. For example, under a certain-and-life style annuity, the entire reserve for both the certain payments and life contingent payments are in scope. Variable immediate annuity reserves under VM-21 are also in scope where there

LR025-A LONGEVITY RISK

are life contingent payments. Scope does not include annuity products that are not life contingent, or deferred annuity products where the policyholder has a right but not an obligation to annuitize. A certain-and-life style annuity, where only certain payments remain (such as following the death of the annuitant), is out of scope. Variable deferred annuity contract reserves under VM-21 are out of scope, including reserves valued under VM-21 for any contracts where policyholder account value has reached zero, but a lifetime benefit may still be payable by the insurer. Line (3) for General Account Life Contingent Miscellaneous reserves is included in the event there are any reserves for products in scope reported on Exhibit 5 line 0799999; it is not meant to include cash flow testing reserves reported on this line. Included in scope are:

- Single Premium Immediate Annuities (SPIA) and other payout annuities in pay status
- Deferred Income Annuities which will enter annuity pay status in the future
- Structured Settlements for annuitants with any life contingent benefits
- Group Annuities, such as those associated with pension liabilities with both immediate and deferred benefits

The total reserve exposure is then further broken down by size as in a tax table. This breakdown will not appear on the RBC filing software or on the printed copy, as the application of factors to reserves is completed automatically. The calculation is as follows:

Non-Longevity Reinsurance products:

Line (5)	Life Contingent Annuity Reserves	(1) Statement Value	Factor	(2) RBC Requirement
	First 250 Million		X 0.0171 =	
	Next 250 Million		X 0.0108 =	
	Next 500 Million		X 0.0095 =	
	Over 1,000 Million		X 0.0089 =	
	Total Life Contingent Annuity Reserves			

LR025-A LONGEVITY RISK

Longevity Reinsurance products:

Line (5)	Life Contingent Annuity Reserves	(1) ~~Statement~~ ~~Value~~VM-22 Reserve Floor	Factor	(2) RBC Requirement
	First 250 Million of Total Reserves		X 9.607 ~~0.0171~~ =	
	Next 250 Million		X 6.067 ~~0.0108~~ =	
	Next 500 Million		X 5.337 ~~0.0095~~ =	
	Over 1,000 Million		X 5 ~~0.0089~~ =	
	Total Life Contingent Annuity Reserves			

The amount ultimately included in the authorized control level will be subject to a guardrail factor of 0_and a correlation factor of -.25.

Draft: 12/1/25

Longevity Risk (E/A) Subgroup
Virtual Meeting
October 9, 2025

The Longevity Risk (E/A) Subgroup of the Life Risk-Based Capital (E) Working Group and Life Actuarial (A) Task Force met Oct. 9, 2025. The following Subgroup members participated: Seong-min Eom, Chair (NJ); Lei Rao-Knight (CT); Mike Yanacheak (IA); Ben Slutsker (MN); William B. Carmello (NY); Peter Weber (OH); Rachel Hemphill (TX); and Tomasz Serbinowski (UT).

1. Discussed the Academy's Longevity Risk Factor Approach

Linda Lankowski (American Academy of Actuaries—Academy) described the Academy's proposal (Attachment Twelve-A). She noted that an appropriate measure to base the risk charge on was the present value of future benefits. The risk charges are the current C-2 factors, as outlined in the 2025 risk-based capital (RBC) framework, and more consideration is needed to detail how total asset requirements (TARs) fit into RBC calculations.

Eom asked: 1) if the C-2 factors should be applied to the present value of benefits in the short term; and 2) whether there will be more to consider as the capital framework and Valuation Manual (VM)-22, Requirements for Principle-Based Reserves for Non-Variable Annuities, are implemented. Lankowski agreed that further action may be needed when VM-22 is in effect.

Serbinowski asked if the rationale for the calibration of the factor for escalating benefits was due to the present value of benefits reflecting the expected cost-of-living adjustment (COLA). He stated that this could potentially warrant a higher C-2 factor due to the uncertainty associated with differences between expected and actual COLA. Lankowski agreed.

2. Discussed the ACLI's Longevity Risk Factor Approach

Brian Bayerle (American Council of Life Insurers—ACLI) stated that the ACLI's approach (Attachment Twelve-B) also applies a C-2 factor to the present value of benefits. The ACLI's approach differs in that it includes an offsetting credit for premiums that would not necessarily be reflected in the statutory reserve. Bayerle said premiums associated with longevity reinsurance contracts are contractually guaranteed, which justifies including premiums not already reflected. The goal is to ensure that companies have a TAR that accurately reflects any longevity risk.

Eom asked for details on the credit application. Bayerle said the ACLI acknowledges the reserve is not a good basis for this application, so it proposes two calculations: 1) the present value of liabilities; and 2) a credit for the premiums not accounted for elsewhere. Bayerle said two calculations would make it easier to identify the credit determination.

Eom asked about the practicality of attaining such a net premium amount for the calculation. Bayerle said there is structural work to be done, as well as developing a sound, justifiable methodology to determine the net premium.

Serbinowski asked if the surplus not included would be subtracted after the C-2 factor is applied to the present value of benefits. Bayerle said mechanics could be discussed further.

3. Discussed Minnesota's Longevity Risk Factor Approach

Slutsker described Minnesota's proposal (Attachment Twelve-C) as using the latest year-end principle-based reserving (PBR) model for contracts that are in scope of PBR and the cash-flow testing model for pre-PBR contracts.

Eom asked if the annual factor in the proposal would be developed based on each company's experience or a single factor used across the industry. Slutsker said the annual factor would be based on each company, similarly to C3P1 and C3P2 calculations, where it is unique to the company and not generalized. Slutsker also noted that the calculation could be performed at different times of the year, as it is expected that mortality does not change with the economic environment.

Serbinowski said that this seems more like TAR in the sense that it corresponds more to conditional tail expectation (CTE) 90 than CTE 70. He also asked if steps four and five are used to fit in the existing framework, since the amount is already calculated in step three. Slutsker stated that they are. Slutsker said that if the model were to drop or simplify anything, there might be a difference, but it is expected to be small. Step three would provide the number for a given year.

Serbinowski asked whether it is possible for the value after the shock to still be zero if there is a sufficient margin in the premium to cover a significant portion of the adverse experience. Slutsker said the company is more likely to incur a net loss from the shock closer to the issue date since it was just priced. However, if company mortality emerged favorably overtime, then it may not need to hold additional capital, as the company already holds more reserves than needed. He said that, similarly to the VM-22 methodology, a company should not hold negative reserves; therefore, capital should be treated similarly and floored at zero.

4. Discussed New Jersey's Longevity Risk Factor Approach

Eom said New Jersey's proposal (Attachment Twelve-D) includes developing a C-2 factor based on the mortality shock amount of the present value of the liability divided by the present value of the liability. Companies would get the shock ratio and multiply it by the 12-month benefit amount. The rationale behind using the 12-month benefit amount is that the premium is collected initially, and then the liability will be provided year-by-year or quarter-by-quarter, depending on the contract. Since the premiums are essentially guaranteed, relatively little capital may be needed beyond the reserve in a stressed situation. Eom said most longevity reinsurance transactions are based on non-U.S. populations, and it is unclear if the current factor is stable.

Slutsker asked if New Jersey's proposal has any element that includes a surplus credit, or whether the company still needs to hold capital if it is profitable. Eom stated that those companies would still have to generate capital; however, the 12-month benefit would make the capital flexible.

Eom said her proposal is intended to be consistent with the VM-22 reserve amount floor, but she is open to seeing the present value of reserves with a credit in a sensitivity test. Slutsker asked if the floor would only be reached for the amount subtracted from it. He asked if the floor would apply to the stressed situation's present value of liabilities. Eom said that the floor would not apply to the stressed situation.

Slutsker asked if "Quantity A" in the proposal implied that mortality trend stress and mortality level stress are independent events. He also asked whether: 1) there is a positive correlation between mortality level stress and mortality trend stress; 2) there is double-counting if there is positive correlation; and 3) the square root backs out covariance but leaves a material amount still double-counted. Eom stated that there is uncertainty whether they are correlated or independent, so New Jersey's proposal assumes they are independent.

Serbinowski asked about the magnitude of the expected difference between the "a-to-b ratio" and the current C-2 factor. Eom stated that if New Jersey's proposal proves to be similar to the current C-2 factor, then she would approve using the current C-2 factor. She noted that tests are needed to see if the same factor is applicable to different populations.

Serbinowski noted that Paul Navratil (Academy) was on the call and asked him to comment on the similarity of this approach to the approach the Academy used for developing C-2 factors for payout annuities. Navratil said the Academy took the view that mortality trend stress and mortality level stress are independent. He said the total after covariance will be dominated by the larger of the two. Regarding the factors influencing payout annuities, he noted that for younger populations, it was closer to the trend alone, but for older populations, base mortality became more important. He said the net of the two was not perfectly flat but very similar, so it was reasonable to use a single factor rather than a principle-based calculation.

Slutsker said understanding trend risk in terms of longevity is easily understood, but he asked for an example of a shock in that direction. Navratil said some examples include smoking cessation, statin drugs for cardiac conditions, or the potential future success of gene editing technology, such as clustered regularly interspaced short palindromic repeats (CRISPR), could lead to bumps in mortality. He stated that those examples may not present the same way a shock in mortality would, but they would have a meaningful increase in mortality improvement over a decade.

Serbinowski stated that the question of uncertainty is less about the shock and more about the base mortality assumptions, as large blocks of business would have less uncertainty, but mortality is unknown.

Eom asked Navratil whether the Academy applied a shock to different mortality tables or used a different pattern in the mortality curve when conducting such sensitivity tests. Navratil said shocks were done independently to base mortality and mortality improvement. Eom asked if the conclusion was that they were relatively stable. Navratil said the ratio approach in New Jersey's proposal is similar to what was done for the payout annuity C-2 factors, in that total shock should reflect both mortality trend and mortality level. He said that the net mortality trend and mortality level after covariance were not completely flat, but they were more stable than expected, which led the Academy to conclude that using a factor rather than recalculating it every year was a plausible approach. Navratil noted that the Subgroup should consider whether there is anything different about this product, such as the benefits being outside of the U.S., that would cause them to get different numerical results.

5. <u>Discussed its Next Steps</u>

Eom noted that Minnesota's proposal needed more consideration due to its complexity. She said she would like to see data regarding the stability of the results. Slutsker stated that, from an implementation perspective, models are already available, and the only complexity is redoing the calculation each year, as CTE 70 is more complex than the statutory reserve. Slutsker suggested a demonstration comparing Minnesota's approach to the other proposals to show such differences in frequency, shock, denominator, and whether to use the reserve or CTE 70.

Eom said New Jersey's proposal is not based on company experience, but instead is based on developing a singular set of factors for all companies to use, similar to the current C-2 factors. Slutsker agreed it would be simpler if the factor was consistent across different companies. Eom said a sensitivity test, depending on base mortality and mortality improvement, is needed. She said it may not be different from tests done for previous C-2 factors. She said that if proven stable, using the current C-2 factor would be appropriate; however, the Subgroup can move forward with next steps if proven otherwise. Eom asked the Academy or ACLI to prove that such factors are relatively stable regardless of population mortality. Bayerle stated that the ACLI could assemble an analysis of the proposals. Lankowski said the data the Academy has regarding the topic is outdated, so conducting extensive data analysis in such a short time would be challenging.

Navratil said that the risk based on longevity itself seemed to be stable. He said that Minnesota's proposal captures how different companies' books being in-the-money will not be consistent across the industry; he said that is the key difference between discussions regarding longevity reinsurance and payout annuities. Slutsker agreed that the surplus of each company will be different, but he said there are aspects of each proposal that could be implemented into one method.

Serbinowski said Minnesota's proposal was not complicated. Serbinowski questioned how difficult it would be for companies to run one more scenario with mortality improvement at 1%, 1.5%, or 2%, considering companies are already running these types of scenarios to prepare their financial statements. However, a challenge of the ACLI's proposal requires recognition of the surplus premium, which may not be straightforward. He also asked if it is feasible to revisit what was done for the current C-2 factor to address how dependent the calculation was on base mortality and trend in such a short time. Lankowski thought it was reasonable to analyze stability. Bayerle stated that the ACLI will further detail the offsetting credit.

Eom stated that prior data may be adequate, or little additional data may be needed, to continue with the sensitivity tests. She said the Subgroup plans to discuss progress at the Fall National Meeting so that it can make a proposal to the Life Risk-Based Capital (E) Working Group by March 2026.

Lankowski asked whether there would be a change in methodology if there is no proposal by March. Eom stated that if there is not much change or the approach uses the same factor, then it will be exposed as-is. Lankowski asked if a change of more than just the factor needs to be exposed by December. Amy Fitzpatrick (NAIC) stated that if there is a structural change to the RBC blanks, then March is the ultimate deadline, as noted in the timeline provided in this meeting's materials (Attachment Twelve-E).

Having no further business, the Longevity Risk (E/A) Subgroup adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/A CMTE/LATF/2025-3-Fall/LongevitySG/10 09/Oct 9_Longevity.docx

September 15, 2025

Ms. Seong-Min Eom
Chair, Longevity Risk (E/A) Subgroup
National Association of Insurance Commissioners

Re: Longevity Risk Subgroup Exposure

Dear Chair Eom:

On behalf of the Life Practice Council of the American Academy of Actuaries,[1] I am sharing some of our thoughts regarding an approach for determining capital charges for longevity reinsurance, in response to the Longevity Risk (E/A) Subgroup's (Subgroup)***Longevity Risk Factor Approach Proposal Request***.

Background

Longevity reinsurance contracts were excluded from the scope of the year-end 2021 implementation of C-2 Longevity within Life Risk-Based Capital (LRBC) because of the need for further discussion on appropriate reserve and capital methodology given product differences compared to payout annuities.

The C-2 Longevity factor implemented in 2021 was calibrated to capture the potential impact of longevity risk (mortality level, trend, and volatility risks) on payout annuity products. Longevity reinsurance transfers the longevity risk associated with immediate and/or deferred payout annuity products that are already in scope for C-2 Longevity.

Suggested Approaches

We suggest a C-2 methodology for longevity reinsurance that starts with the existing C-2 factor to maintain consistency in the calibration of longevity risk across similar products.

Several considerations unique to longevity reinsurance will need to be considered in developing final capital methodology and factors, including:

1. **The capital factor for longevity reinsurance should be applied to the present value of benefits rather than the reserve.** The existing C-2 capital factor is applied to reserves for payout annuities. Reserves for longevity reinsurance are much lower than the full present value of reinsured benefits since they give some consideration to future premiums. The existing C-2 capital factors are only appropriate for longevity reinsurance if they are applied to the full present value of annuity benefits subject to longevity risk rather than the much lower reserve amount.

[1] The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For 60 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

2. **The calibration of the factor should consider the impact of escalating benefits.** The current C-2 factor was calibrated considering a level annuity benefit amount as is common for payout annuity benefits in the U.S. Benefit amounts that increase over time such as through a cost-of-living adjustment (COLA) may be more common within longevity reinsurance contracts that reinsure pension benefits, particularly those offered by non-U.S. plans. The Subgroup might want to consider whether escalating benefit streams warrant a higher longevity risk factor and, if so, the most appropriate way to reflect that risk in the capital framework.

3. **The Subgroup will need to decide whether to take a Total Asset Requirement (TAR) approach or to consider reserves and capital independently.** The reserve floor and aggregation restrictions applied in VM-22 result in some instances in which future premiums are not fully reflected in reserves. A principle-based TAR approach would align the capital requirement with the existing VM-22 reserve requirements and produce a combined framework that reflects all premium and benefit cashflows calibrated at an appropriate stress level, which we believe is more consistent with the risks assumed by the reinsurers writing this business. The alternative approach would be to calibrate capital independently from reserves and, consequently, not consider the impact of reserve flooring in setting capital requirements. This would be a simpler approach to implement and has historical precedent in other RBC work. However, it would also tend to overstate the risks the companies writing this business are exposed to in practice, likely resulting in a TAR greater than a principle-based calculation.

We appreciate the opportunity to share this feedback with the Subgroup. Should you have any questions or comments regarding these comments, please contact Amanda Barry-Moilanen, the Academy's life policy project manager (barrymoilanen@actuary.org).

Sincerely,

Jason Kehrberg, MAAA, FSA
Chairperson, Life Practice Council
American Academy of Actuaries

1850 M Street NW Suite 300 Washington, DC 20036 Telephone 202 223 8196 Facsimile 202 872 1948 www.actuary.org

ACLI
Financial Security for Life

Brian Bayerle
Chief Life Actuary
202-624-2169
BrianBayerle@acli.com

Colin Masterson
Sr. Policy Analyst
202-624-2463
ColinMasterson@acli.com

September 15, 2025

Seong-min Eom
Chair, NAIC Longevity Risk (E/A) Subgroup

Re: The July 2025 Longevity Risk Factor Approach Proposal Request

Dear Chair Eom:

The American Council of Life Insurers (ACLI) appreciates the opportunity to submit a proposed approach to develop Life Risk Based Capital Longevity Risk C-2 factor(s) for longevity reinsurance business as requested by the Subgroup. In accordance with the language included in the exposure document, we note that we were also mindful throughout the drafting process that the Subgroup is not seeking development of specific C-2 factor values with deep technical analysis and made sure to include descriptions of methodologies for C-2 factor development, complete with explanations and justifications for our proposed approach.

ACLI proposes applying the C-2 factor to the present value of benefits, with an offset credit for future surplus not included in calculated statutory reserves.

We believe this approach is preferable for several reasons. First, it leverages the current C-2 framework without developing a separate methodology for longevity reinsurance. This aspect of our proposal is crucial since there are many parts of the current C-2 methodology that work well as risk measurement tools. Second, given premiums are contractually guaranteed and claims are only due if premiums are paid, this approach would allow for equivalent treatment in the RBC framework between longevity reinsurance and annuity products where assets from the initial premium are available to fund capital. Further, this approach recognizes that early duration reserves are not an appropriate basis to apply the factor, thus it bifurcates the reserves into the benefits (to which the C-2 factor can be applied), as well as consideration for future surplus not included in calculated statutory reserves.

While there would still be questions left to answer and analysis left to be performed related to other considerations such as shocks for data from other countries and specific application of the proposal discussed above, our proposal helps address the overarching concern of what the appropriate level of tail risks is to consider. Getting the Total Asset Requirement to a point where it properly captures longevity risk, meets the desires of regulators, and allows for companies to hold appropriate capital is imperative and should be the desired outcome of any methodology changes to this portion of the RBC framework.

Thank you once again for the opportunity to provide this feedback and we look forward to further discussion with regulators and NAIC staff at the Subgroup level.

Sincerely,

Colin Masterson

cc: Amy Fitzpatrick, NAIC

COMMERCE DEPARTMENT

Date: 08/25/2025

To: Seong-min Eom, Chair of the Longevity Risk (A/E) Subgroup

Subject: C-2b Charge for Longevity Reinsurance

Thank you for the opportunity to provide comments on the Life C-2 Mortality Factor proposal. We support the effort to explore the development of a C-2 longevity risk factor for longevity reinsurance agreements. In this letter we offer one possible approach to consider for such factor's development.

We believe that one method to consider for measuring longevity risk is to shock the longevity assumption (i.e., trend risk for reductions in mortality) while holding all other assumptions and factors constant. Given that this business will soon be subject to VM-22 calculations, we believe this method can leverage the PBR calculation, resulting in both a theoretically correct and practically feasible method. Our proposed method follows the below steps:

1. Baseline Present Value – Using the latest year-end PBR model (or CFT model for pre-PBR business), calculate the actuarial present value of outflows less inflows, including the recognition recurring premiums, under Scenario 12 from the NAIC economic scenario generator, for the entire block of longevity reinsurance contracts held by the company.
    a. If less feasible for companies to obtain a net asset earned rate (NAER) for discounting cash flows in this method, we could also explore modifying this method such that it uses a scenario reserve calculation rather than an actuarial present value calculation.

2. Shock Present Value – Repeat step 1, but increase mortality improvement to a [X]%, reflecting a CTE90 level within a representative longevity risk distribution.
    a. The [X]% shock would be hardcoded in the instructions and the same for all companies calculating the method.
    b. We recommend that [X]% be no lower than 1%, as this is the shock used for the VM-22 stochastic exclusion ratio test.
    c. Any quantitative evidence offered by interested parties would be considered in determining the final number. In absence of any supporting data, one possible starting point could be a shock of 2.0% to future mortality improvement.

3. Impact of Shock – Subtract the present value of actuarial cash flows in step 1, floored at zero, from the actuarial present value of cash flows in step 2, floored at zero.

4. Factor Development – Divide the amount in Step 3 by the latest year-end statutory reserve held for the associated contracts. This equals the C-2b factor to use for RBC.
    a. Note the statutory reserves may be as low as the sum of anticipated benefits over the next 12 months, as this is the floor within the VM-22 reserve calculation for longevity reinsurance.
    b. If statutory reserves are low relative to the difference of the actuarial present value of cash flows and, therefore, are expected to produce unstable ratio levels, one modification to this proposed method for the Subgroup to consider is using the present value of Scenario 12 projected benefits instead of the statutory reserves. Of course, the disadvantage is that this number is less auditable.

5. RBC Amount – Calculate the C-2b amount by multiplying the factor from step 4 by the statutory reserves included in the RBC instructions.

We believe that using this "longevity shock method" is a direct and implementable approach to calculate a C-2b factor for longevity risk. In addition, this approach only shocks the longevity assumption in excess of moderately adverse risk, therefore avoiding double-counting between capital and reserves.

We also believe it is appropriate to include recurring premium within this calculation because, if such premium is guaranteed, then we would expect the floating leg payments to vary considerably from the fixed leg payment in an adverse scenario, and therefore still capture the inherent longevity risk associated with such agreements.

Thank you for consideration of our letter and, of course, we are happy to discuss further or answer any questions.

Insurance Division
Minnesota Department of Commerce

Proposal for Longevity Reinsurance C-2 Factor Development:

The proposed methodology is to develop the Life RBC C-2 Longevity Risk factor for Longevity Reinsurance, as the ratio of quantities A (the numerator) and B (denominator), as defined below:

- A – calculate combined impact of Mortality Level Stress (ML) and Mortality Trend Stress (MT) on Present Value of Liabilities (Benefits), with each covering 95th percentile* of respective mortality and mortality improvement scenarios. The combined impact (quantity A) would be calculated as SQRT of ((ML squared) + (MT squared)).

    * Other confidence intervals may be considered during the factor development process: e.g. 99%

- B – is set equal to the Present Value of Liabilities (Benefits) used in the PBR VM-22 reserves

The rationale for selecting B as the denominator for the RBC factors (as opposed to reserves) is that the reserves tend to start out very small (often at the reserve floor level referenced above), but then grow substantially higher, while the impact of mortality and mortality deterioration tends to be proportional to liabilities only (not the reserves). Also, as the block of business matures, this would be consistent with higher volatility of the runoff business (when the volumes become small) and lack of credible older age mortality data.

Once the C-2 factor is developed, it won't be updated unless there are material changes in the mortality level and mortality trend patterns, or longevity reinsurance market distribution (e.g. expansion of the longevity reinsurance market to other countries).

Total Longevity Risk C-2 Capital would be equal to the C-2 factor (calculated as per above) times the average of 1-year liabilities**.

** Scheduled longevity benefits payable by the benefit provider within the next 12 months from the date of valuation.

Longevity Reinsurance C2 Approach Timeline

Timeline	7	8	9	10	11	12	1	2	3	4	5	6	
	25	25	25	25	25	25	26	26	26	26	26	26	**Notes**
Expose request for longevity risk factor proposal approaches													SG exposed for 60-days ending 9/15
Review approaches, identify viable approaches. Request detailed proposals													Tentative: 60-day exposure due Dec 2025 to discuss comments at Fall National Meeting
Discuss and refine viable proposals													
Adopt and submit proposed approach to Life RBC WG for 2026 adoption													Tentative: SG recommend to Life RBC by 3/1/26
Life RBC WG exposure of proposal (at least 30 day exposure)													Exposure by March 22-25 (2026 Spring National Meeting dates) if proposal involves structural changes. Exposure by May 1 proposal does not involve structural changes (e.g. factor only, instructions changes).
Life RBC WG adoption													Adoption by April 30 if proposal involves structural changes. Adoption by June 15 if proposal does not involve structural changes (e.g. factor only, instructions changes).
Capital Adequacy Task Force adoption													Adoption by May 15 if proposal involves structural changes. Adoption by June 30 if proposal does not involve structural changes (e.g. factor only, instructions changes).

Summary of approaches grouped by structure

All approaches received were in the format of **Value x C2-b**
Some require structural changes to LR025-A

Structural Changes

Change value from statutory reserve to a present-value of benefits because the reserves can be very low or zero in early years.

ACLI, Academy, NJ commenters proposed Value:

- Academy: Present value of benefits
- ACLI: present value of benefits, with an offset credit for future surplus not included in calculated statutory reserves
- NJ: Immediate next 12-month benefit amount

No Structural Changes

- Use the statutory reserves as currently included in the RBC instructions.
- "longevity shock method": Shock the longevity assumption to measure the longevity risk leveraging the VM-22 PBR calculations.

MN proposed value:

- Value = Statutory Reserve

Update on Life Mortality Experience Data Collection

Angela McNabb, ASA, MAAA

December 7, 2025

DECEMBER 8–11
NAIC
2025 FALL NATIONAL MEETING
HOLLYWOOD, FL

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS 1

1

Agenda

- Recap of Previous Life Mortality Experience Data Collections
  - ➢Observation Years 2018 & 2019
  - ➢Observation Years 2020 - 2023
- 2025 Life Mortality Experience Data Collection
- New Agreements with States
- NAIC Process Improvements

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS 2

2

Recap of Previous Life Mortality Experience Data Collections
Observation Years 2018 & 2019

- The NAIC provided aggregated data files to the SOA for observation years 2018 and 2019. These files included data from all participating companies.
- Significant work was done by both the NAIC and the SOA's Individual Life Experience Committee to review the aggregated data. Comparisons were made to data collected for prior observation years, and predictive analytics was used to look for anomalies within the data.
- In October 2024 the Society of Actuaries published the "2019 Individual Life Insurance Mortality Experience Report" which included data for 2012 – 2019.

3

Recap of Life Mortality Experience Data Collections
Observation Years 2020 - 2023

- NAIC staff is currently working with companies to complete data submissions and reviews for the 2020 – 2023 observation years.
  - ➢ There are very few companies still outstanding.
- NAIC staff plans to deliver aggregated data files to the SOA for all four years by 12/31/2025.
- If companies are unable to provide acceptable data by the deadline, they may need to be excluded from the aggregated files.

4

Recap of Life Mortality Experience Data Collections
Observation Years 2020 - 2023

- There was significant company staff turnover during this time period.
- Many companies underwent admin system conversions.
- A majority of companies implemented process improvements (e.g. better data mapping) and/or data clean-up efforts (e.g. correcting source data in their admin systems).
- In some cases, these improvements in the data required a resubmission of earlier observation years.
- Many companies needed numerous submissions in order for their data to be acceptable.

5

2025 Life Mortality Experience Data Collection
Covering Observation Year 2024

- A total of 102 companies are participating in the current data collection.
  - One company was excluded due to small size. The group elected to exclude it under the provision of VM-51 Section 2.C.
- According to VM-51, initial submissions were due 9/30/2025 and final submissions are due 2/28/2026.
- Overall, we are seeing the data is much cleaner for 2024 than in previous years. Fewer companies are needing to resubmit their data.
- The improvement in data quality is resulting in less NAIC processing and review time. We expect to be able to provide an aggregated data file for the 2024 observation year to the SOA by 12/31/2026.

6

New Agreements With States

- VM-50 Section 3.B.3 states: "The Experience Reporting Agent will seek to enter into agreements with a group of state insurance departments for the collection of information under statistical plans included in VM-51."
- The NAIC entered into an agreement with the state of Missouri when we began collecting life mortality experience data.
- In anticipation of the group annuity mortality experience data collection, we requested agreements with two additional states.
  - We recently finalized an agreement with Minnesota.
  - An agreement with another state is currently being negotiated.

NAIC Process Improvements

- Last year we migrated from an FTP site to a SharePoint site to transfer confidential documents (e.g. Control Totals, Reconciliations, Data Feedback, etc.).
- NAIC staff is working to convert to a new platform for processing data files. This is expected to significantly decrease the time needed to run file validations and prepare feedback for the companies.

Draft: 11/21/25

Experience Reporting (A) Subgroup
Virtual Meeting
November 17, 2025

The Experience Reporting (A) Subgroup of the Life Actuarial (A) Task Force met Nov. 17, 2025. The following Subgroup members participated: Fred Andersen, Chair (MN); Nicole Boyd (KS); Bill Carmello (NY); Lei Rao-Knight (CT); Seong-min Eom (NJ); Hattie Wang (TX); Elaine Lam (CA).

1. Received an Update on APF 2024-12

Seong-min Eom (NJ) gave an introduction which included a brief history of amendment proposal form (APF) 2024-12. This APF would require the mandatory reporting of mortality experience for group annuity business. Eom mentioned that the APF was originally exposed in 2024 and that a drafting group was formed to continue working to refine it. The drafting group clarified definitions, instructions, and determined which fields were necessary and meaningful for the data collection. To better understand the industry's mix of group annuity business, the drafting group developed a survey which was sent to companies. Eom concluded by stating that the drafting group used the results of the survey to assist in modifying the APF.

Pat Allison (NAIC) then gave a presentation that included a more detailed background of the APF and results of an industry survey conducted by the drafting group.

Carmello had some questions regarding the addition to VM-51, Experience Reporting Formats, Section 2.C. A paragraph was added to clarify which companies are required to submit life experience data. Originally, the section cited a $50 million direct premium limit for automatic exclusion from the data collection but did not specify whether all companies over that limit were required to submit data. Allison stated that the $50 million limit was initially used to identify companies excluded. Participating companies were then selected from the companies that were over that limit. Allison concluded by stating that if a company grows and exceeds that limit, they are not required to participate unless the NAIC adds new companies to the data collection and selects them to participate.

Birny Birnbaum (Center for Economic Justice—CEJ) questioned why the APF only required the 5-digit zip code instead of the more specific 9-digit zip code. Birnbaum felt that for future analysis, the 9-digit code would be more appropriate. Birnbaum also questioned why the NAIC chose to not provide survey results for categories that included less than 5 companies responding, as a small number of companies could make up a significant portion of the industry. Allison explained that the NAIC had followed the precedent of the Society of Actuaries (SOA) to use the 5-company rule to preserve confidentiality. Birnbaum then had some questions regarding the values that were reported from the survey. Allison reminded the group that the survey results had limitations as some companies did not provide data for all fields.

Anderson then asked what was recommended for next steps. Allison stated that the APF is scheduled for re-exposure at the 2025 NAIC Fall National Meeting.

Having no further business, the Experience Reporting (A) Subgroup adjourned.

Group Annuity Mortality Experience Data Collection (APF 2024-12)

Pat Allison, FSA, MAAA

December 7, 2025

DECEMBER 8–11
NAIC
2025 FALL NATIONAL MEETING
HOLLYWOOD, FL

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS 1

1

Agenda

1. Background
2. Group Annuity Industry Survey
3. APF 2024-12 Group Annuity Provisions
   a) Plans In and Out of Scope
   b) Criteria for Selecting Companies to Participate In the Data Collection
   c) Data Submission Requirements
   d) Collar Type
   e) Plan Identifiers
   f) Contracts Issued Outside the U.S.
4. Non-Group Annuity Changes Included In APF 2024-12

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS 2

2

Background

- LATF exposed an initial draft of APF 2024-12 for comments on 8/13/2024.
- The Experience Reporting (A) Subgroup met on 12/16/2024 and directed formation of a Drafting Group to review the APF and make refinements.
- Drafting Group participants included Seong-min Eom who chaired the group, NAIC staff, SOA staff, Chair of SOA Group Annuity Experience Committee, Academy of Actuaries, ACLI, and individual companies.
- The Drafting Group met regularly to discuss changes to VM-50 and VM-51 and drafted a Group Annuity Industry Survey to better understand companies' group annuity business.
- The revised APF was presented to the Experience Reporting (A) Subgroup on 11/17/2025.
- All references to APF 2024-12 in this presentation are referring to the revised version.

3

Criteria Used to Select Survey Participants

- All companies that participated in the SOA's most recent Group Annuity mortality experience study
- All companies from LIMRA's PRT sales survey
- Company groups (i.e. those within each NAIC group code) were ranked by size for each of the following metrics:
  - ➢ Statutory reserves for Group business with life contingencies
  - ➢ Certificates Inforce
  - ➢ Income Payable
  - ➢ 2024 Direct Group Annuity Premium
- Company groups ranking in the top 30 by size for 2 or more metrics were selected to participate in the survey
  - ➢ A total of 101 companies were surveyed and all responded.
  - ➢ 51 companies have group annuity business in scope.

4

2025 FALL NATIONAL MEETING

Survey Limitations

- Certificates inforce, amount of income payable, and premium are understated. Many companies left one or more of these blank.
- Some companies left one or more survey questions blank.
- Follow-up was needed with many companies to determine whether contract types reported as "Other" are in scope. Responses are currently being reviewed.
- Best efforts were made to aggregate company responses, but some interpretation was necessary

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS 5

5

2025 FALL NATIONAL MEETING

Mix of Business for Contract Types in Scope

Contract Type	Company Count	Certificates Inforce	Total Reserves (millions)	2024 Direct Premium (millions)	2025 Direct Premium a/o 6/30 (millions)	2024 Income Payable (millions)
PRT - Private	36	5,200,000	$335,000	$45,000	$8,300	$17,000
PRT - Public	N/A	N/A	N/A	N/A	N/A	N/A
Longevity Reinsurance	6	N/A	$2,100	N/A	N/A	N/A
Immediate Participation Guarantee (IPG)*	11	36,000	$4,500	N/A	N/A	$203
Purchased Annuities Originating from Defined Contribution Plans	24	4,100,000	$103,000	$11,900	$6,600	$423
Group Variable Payout Annuities	18	13,000	$2,200	N/A	N/A	$17.7
Other (includes out of scope business)	44	5,600,000	$524,400	$37,200	$12,300	$1,500

* Includes only guaranteed IPG, where the insurance company bears the mortality risk

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS 6

6

Mix of Business for Contract Types Out Of Scope

Contract Type	Company Count	Certificates Inforce	Total Reserves (millions)	2024 Direct Premium (millions)	2025 Direct Premium a/o 6/30 (millions)	2024 Income Payable (millions)
Immediate Participation Guarantee (IPG)*	11	146,000	$36,000	$1,000	$800	$8000
Group Structured Settlements	8	87,000	$38,000	N/A	N/A	$1,300
Guaranteed Investment Contracts and Synthetic Guaranteed Investment Contracts	18	190,000	$33,000	$2,000	$911	N/A
Funding Agreements	19	280	$290,000	N/A	N/A	N/A
Stable Value	5	N/A	$131,000	N/A	N/A	N/A
Final Expense	N/A	N/A	N/A	N/A	N/A	N/A

* Includes only non-guaranteed IPG, where the plan sponsor bears the mortality risk

Group Annuity Data Collection APF – Products In Scope

Direct written group annuity business issued by a company in the U.S. for lives in any country as well as reinsurance assumed written by a company in the U.S. for business outside the U.S. Product types include:

a. Group Pension Risk Transfer (PRT) annuities originating from ongoing and terminated private and public defined benefit pension plans, including both participating and nonparticipating contracts where the insurance company bears mortality risk.
b. Purchased group annuities with mortality risk originating from defined contribution plans.
c. Immediate Participation Guarantee contracts for which the insurance company bears the mortality risk.
d. Longevity Reinsurance.
e. Group Variable Payout Annuities.

2025 FALL NATIONAL MEETING

Group Annuity Data Collection APF – Products Out Of Scope

The intent is to align the scope of business collected under this statistical plan with the scope of VM-22. Therefore, the following types of business defined in VM-01 are excluded from data collection:

a) Guaranteed Investment Contracts

b) Synthetic Guaranteed Investment Contracts

c) Immediate Participation Guarantee contracts for which the plan sponsor bears the mortality risk.

d) Funding Agreements

e) Stable Value contracts

f) Pre-Need Annuities

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS 9

9

2025 FALL NATIONAL MEETING

Potential Company Selection Criteria Based on Survey Results

Annual Statement data cannot be used to select companies that will participate in Group Annuity mortality experience data collections, since contract types in scope are not specifically identified.

Reserves reported in the survey are the most reliable metric for selection of participating companies. Of the 51 companies with Group Annuities in scope, 33 have over $1 billion in Group Annuity reserves in scope, and 3 have $500 million - $1 billion.

Based on survey results, potential selection criteria could include:

- All companies with $500 million or more in statutory reserves for group annuity business in scope.
- Companies previously participating in the SOA or LIMRA studies.
- Affiliates of any company selected based on the above criteria (subject to a minimum reserve level, e.g. $200 million).
- Any additional companies selected by the Life Actuarial (A) Task Force.

This selection approach would:

- Cover over 90% of industry statutory reserves for group annuity business in scope.
- Include a mix of older and newer contracts.
- Exempt smaller companies with immaterial amounts of business in scope.

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS 10

10

2025 FALL NATIONAL MEETING

APF 2024-12 Criteria to Determine Companies That Are Required to Submit Experience Data

- The Experience Reporting Agent, under the direction of the Life Actuarial (A) Task Force, will select companies that are required to submit experience data.
- The selection of companies will be based on achieving a minimum target level of approximately 90% of industry statutory reserves in scope.
- Companies selected to submit mortality experience data are expected to continue reporting their experience in future years, barring circumstances justifying an exemption.
- The list of companies selected is subject to change. Additional companies may be selected to maintain the target level of industry experience, or at the discretion of the Life Actuarial (A) Task Force.
- Any additional companies selected will be given sufficient notice to prepare for the data submission.

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS 11

11

2025 FALL NATIONAL MEETING

Submission of Group Annuity Mortality Experience Data

- The proposed effective date for the Group Annuity Data Collection is January 1, 2027.
- The Group Annuity Mortality Experience Data Collection is designed to parallel the existing Life Mortality Experience Data Collection.
  - ➢ Data will be collected annually using the NAIC's Regulatory Data Collection (RDC) online software submission application.
  - ➢ Initial submissions will be due on 9/30 of the reporting year.
  - ➢ Final submissions will be due on 2/28 of the following year.
  - ➢ Participants will receive immediate feedback on form and format errors from RDC. More detailed feedback will follow from NAIC reviewers based on additional validations and review.
- There will be some companies that will require special handling due to the existence of quota-share arrangements between companies. The survey indicated at least 17 companies have these arrangements.

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS 12

12

2025 FALL NATIONAL MEETING

VM-50 Control Totals and Reconciliation

- The Control Totals will consist of certificate counts and income payable.
  - The purpose of the Control Totals is to ensure that a complete file was received.
- The Reconciliation to the company's statistical and financial data will mirror the survey template and will include certificate counts, income payable, and statutory reserves.
  - The fields will be broken down into the various product lines (both in scope and out of scope) to ensure that only in scope data is reported.

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS 13

13

2025 FALL NATIONAL MEETING

VM-51 Data Elements – Collar Type

Data Elements	SOA Study	APF 2024-12	Comments on Survey Results
Collar Type (Blue vs White Collar)	N	Y	18 companies representing 78% of PRT reserves indicate they have accurate collar type data (48% for all their business; 30% for part of their business). Multiple criteria may be used to set collar type: benefit amount, industry type, job descriptions, and collar type data or collar percentages from the plan sponsor.
NAICS Code	N	Y	SIC and NAICS codes identify industry type. Many companies maintain both codes. However, 13 companies maintain only the NAICS code.
SIC Code	Y	Y	
Union / NonUnion	Y	Y	Some companies use these criteria to assign collar type. Approximately 30% of companies provided this data in the most recent SOA study.
Salaried / Hourly	Y	Y	
Zip Code	Y	Y	The 9-digit zip code was used in the SOA study, while the APF requests 5-digits.

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS 14

14

VM-51 Data Elements – Plan Type Identifiers

Plan Type	SOA Study	APF 2024-12	Comments on Survey Results
Defined Benefit	Y	N	The APF breaks out specific product type that fell into this category.
Defined Contribution	Y	Y	The survey indicated there is a large amount of group annuity business originating from defined contribution plans.
Immediate Participation Guarantee (IPG) Contracts considered Guaranteed (the insurance company bears the mortality risk)	N	Y	Immediate Participation Guarantee contracts that are considered Guaranteed represent approximately 41% of total IPG reserves. The Drafting Group agreed that only Guaranteed IPG contracts should be in scope, although data was collected for Nonguaranteed IPG contracts for prior SOA Group Annuity mortality studies.
IPG Contracts considered Nonguaranteed (the plan sponsor bears the mortality risk)	N	N	
PRT - Private	N	Y	Mortality differs between Private and Public plans. Less than 5 companies separately reported Public PRT business. A number of companies reported Public PRT as Private PRT and noted that Public PRT data was not available or was difficult to identify. Given more time to prepare their data, companies may be able to provide this.
PRT - Public	N	Y	
Longevity Reinsurance	N	Y	This is mainly UK business written by a limited number of companies.
Group Variable Payout Annuities	N	Y	A significant number of companies indicated that they have this type of business.

Contracts Issued Outside the U.S.

- Countries Included:
  - The most recent SOA Study requested contracts issued in the U.S. and Canada and included no country identifiers.
  - APF 2024-12 includes country identifiers for US, Canada, UK, and Other.
    - Survey results show 10 companies have issued group annuity business outside the U.S., in a limited number of countries (primarily the UK).
- Location Indicator:
  - APF 2024-12 includes a field to identify the 2-digit area code that is part of the UK postcode.
    - Survey respondents indicated this would be the least specific code useful for measuring mortality by area.
- Confidentiality:
  - Data will not be made publicly available for a given country unless the NAIC determines that the confidentiality of companies reporting data for that country can be maintained.

2025 FALL NATIONAL MEETING

APF 2024-12 Non-Group Annuity Changes

- VM-50
  - Section 2.B - Added a statement that the NAIC shall collect a fee from companies participating in the data collections.
  - Section 4.B.15 – Added this section which requires an accredited actuary to sign off on the reasonableness of A/E ratios calculated by the NAIC based on the records deemed acceptable after the data review process has been completed.
- VM-51
  - Section 2.C – Added a paragraph specifying that the Experience Reporting Agent under the direction of the Life Actuarial (A) Task Force will select companies required to submit data. There has been confusion because current language does not make it clear that companies with over $50 million of direct premium are not automatically required to submit data.
  - Section 2.D – Removed outdated language that specified the collection of data for observation years 2022 and 2023 in reporting year 2024.
  - Appendix 4, Data Item 20 – Added a new plan code to identify coverages issued as a result of exercising a Guaranteed Insurability Option.

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS 17

17

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Deleted: Exposure Draft¶

Generator of Economic Scenarios (GOES) Model Governance Framework

Table of Contents

Deleted: 6
Deleted: 6
Deleted: 6
Deleted: 7
Deleted: 8
Deleted: 8
Deleted: 10
Deleted: 11
Deleted: 13
Deleted: 13
Deleted: 13
Deleted: 14
Deleted: 14
Deleted: 17
Deleted: 18
Deleted: 18
Deleted: 18
Deleted: 18
Deleted: 19
Deleted: 19
Deleted: 20
Deleted: 21
Deleted: 21
Deleted: 21
Deleted: 22
Deleted: 23
Deleted: 24
Deleted: 24
Deleted: 25

I. Background

A. Purpose of the GOES Model Governance Framework

The Generator of Economic Scenarios (GOES) Model Governance Framework is designed to mitigate risk by providing governance and controls for models producing scenarios used in calculations of life and annuity Statutory reserves according to the *Valuation Manual* (VM-20, VM-21, and VM-22) and capital under the NAIC RBC requirements (C3 Phase 1, C3 Phase 2). The requirements of the Model Governance Framework also apply to ancillary tools (e.g. scenario selection tool) and models that produce scenario statistics.

Actuarial Standard of Practice No. 56, *Modeling* (ASOP No. 56) defines **Model Risk** as "The risk of adverse consequences resulting from reliance on a model that does not adequately represent that which is being modeled, or the risk of misuse or misinterpretation."

The ASOP No. 56 defines **Governance and Controls** as "The application of a set of procedures and an organizational structure designed to reduce the risk that the model output is not reliably calculated or not utilized as intended," and states that the actuary should use, or, if appropriate, may rely on others to use, reasonable governance and controls to mitigate model risk.

This document is intended to provide a comprehensive governance framework including appropriate controls, monitoring, and oversight to ensure the quality of the GOES models so they can be trusted and relied upon for their intended use.

B. Importance of a Model Governance Framework

A model governance framework is critically important for the GOES and ancillary tools for several reasons:

1. Many companies will be using the GOES scenarios, and they may have a material financial impact.

2. The framework will implement and provide documentation of controls designed to prevent or mitigate human error.

3. The transparency of the framework should aid in understanding any model limitations, so that conclusions drawn from model results are properly informed.

4. The framework should ensure that models meet their intended purpose. ASOP No. 56 defines **Intended Purpose** as "The goal or question, whether generalized or specific, addressed by the model within the context of the

assignment." Section 3.1.2 of the ASOP states that "When selecting, reviewing, or evaluating the model, the actuary should confirm that, in the actuary's professional judgment, the model reasonably meets the intended purpose."

The framework includes a process for model selection and scheduled reviews. There are also off-cycle reviews (where necessary) intended to ensure that models continue to meet their intended purpose throughout their life cycles.

5. The framework should improve efficiency, avoiding re-work and confusion regarding expectations. Documented processes and procedures will enable model developers and reviewers to implement changes more quickly.

6. There is a possibility that unexpected issues will occur, despite best efforts. The framework provides a process for identification, escalation, and resolution of issues if they arise.

C. Components of the GOES Model Governance Framework

Components of the Model Governance Framework include:

1. Roles and Responsibilities
   The roles and responsibilities of all stakeholders involved in the implementation and maintenance of the model are documented (see Sections II and III). Parties are designated to act as Model User, model developer, model owner, and model steward. In addition, there is a model governance oversight function. The roles and responsibilities include separation of duties where appropriate. One of the key aspects of a successful governance function is that it is independent.

2. Signoff Protocols
   Model controls and other items requiring signoffs are identified (see Section II.B), along with the parties responsible.

3. Risk-Ranked Model Inventory
   All models are catalogued and ranked according to their risk (see Section IV). This is intended to ensure the time and effort required for compliance with governance standards is consistent with each model's risk level. Generally, the most robust validation procedures will apply to the riskiest models, while less rigorous methods (e.g. peer review) may apply to those that have less risk.

4. Model Selection and Validation Processes
   Section V includes criteria for model selection along with details on the model validation process and independent review.

5. Scheduled and Off-Cycle Model Updates
   Section VI provides details on routine, scheduled monthly and annual updates, as well as off-cycle model updates.

6. Process for Handling Model Findings
   Section VII provides a process for identification, escalation, and resolution of issues if they arise.

7. Change Management Process
   The change management process includes procedures to ensure that model change requests are documented, communicated, prioritized, formally approved, and implemented in a controlled manner (see Section VIII).

8. Documentation
   Various forms of documentation are required throughout the governance process (see Section IX).

9. Access Controls
   To avoid the possibility of unauthorized changes, write access to models and model governance spreadsheets (e.g. model inventory file) is granted only to individuals requiring access. Section X provides details on the level of access granted to stakeholders (i.e. Read, Write, or No Access).

II. Governance Roles and Sign-off Protocols

A. Governance Roles

For the GOES Model Governance Framework, parties are designated to serve the roles of model developer, model owner, and model steward. There is also a model governance oversight function. High-level descriptions of the responsibilities of each party are shown in the table below.

There are additional stakeholders involved in the implementation and maintenance of the models (e.g. Model Users). See Section III for details on all stakeholder responsibilities, including key deliverables.

Role	High-Level Responsibilities
Model Developer: Conning's GEMS® Software Development Team	The GEMS® software development team will incorporate change requests from the Model Steward into the GEMS® software and will be responsible for all ongoing GEMS® maintenance. Conning is also responsible for developing and maintaining ancillary tools, including the scenario selection tool and utility to produce statistics. The model developer role will also be responsible for performing model validation, managing modeling environments, conducting testing of model changes, and completing change request documentation.
Model Owner: Conning's Professional Services Team	Conning's Professional Services team will own the model and the production environment, ensuring that monthly models are properly parameterized and calibrated, and that results and associated analyses are available on a timely basis. This team will utilize GEMS® automation features and commonly available tools to develop and maintain the automated monthly workflow. The Professional Services team will communicate requirements to the Model Developer, perform user-acceptance testing of any new code required for software to meet NAIC model specifications, and design and oversee the monthly production process. Conning's scenario file production processes are organized such that: 1) each process has a primary owner and a designated reviewer; 2) model updates and processes are automated where practical to do so; 3) reviewers use GEMS® native change management and audit tools to independently verify model updates and processes; and 4) scenario summaries and reports illustrate the reasonableness of results.
Model Steward: GOES (E/A) Subgroup, with NAIC Staff Support	The GOES (E/A) Subgroup manages the development of the GOES model, ensures that the model governance framework is followed and that models meet standards set by the NAIC and is fit for use. The GOES (E/A) Subgroup requests any changes to the GOES to meet regulatory objectives, with input from interested parties. Meetings of the GOES (E/A) Subgroup are attended by member regulators, NAIC staff, interested parties, and representatives from the ACLI and American Academy of Actuaries, which include subject matter experts.

	NAIC staff supports the GOES (E/A) Subgroup as noted throughout this document (e.g. reviewing controls, independently producing and reviewing monthly scenario statistics, maintaining the model inventory and other spreadsheet governance tools, etc.).
Model Oversight Group: GOES (E/A) Subgroup and NAIC Committee Structure	The GOES (E/A) Subgroup has oversight responsibilities and reports to other groups in the NAIC Committee Structure that provide further oversight as described in Section III.A.
Model User: US Insurance Organizations, State Insurance Regulators	Model Users report issues to GOES (E/A) Subgroup and request enhancements. When changes are made to the GOES (e.g. 5-year review and recalibration), Model Users volunteer for field testing/User Acceptance Testing.

B. Sign-Off Protocols

For routine model updates necessary for monthly scenario production, as well as routine annual changes (if any), Conning and NAIC staff have signoff responsibilities as described in the table below. All other model updates require additional signoff from the GOES (E/A) Subgroup.

Party	**Sign-Off Responsibilities**
Conning	Reviews and signs off on: 1. Model access controls, ensuring that only individuals authorized to work on the models have access. 2. Inclusion controls, ensuring that data inputs to the model are complete and have been updated as required. 3. Change management controls for all model updates, with appropriate separation of duties (i.e. signoff from development team to advance the model from the development environment to the testing environment; signoff from the testing team that testing was completed and reviewed; and signoff that the tested model was moved successfully to the production environment). 4. Model validations. 5. Attestation document will be provided to NAIC staff that the above controls were performed, along with any findings. The attestation document will include initials beside each control to indicate signoff. See Section VII for details on how findings will be handled.
NAIC Staff	NAIC staff produces scenario statistics independently (including acceptance criteria), reviews, and provides sign off via email to Conning that scenarios are acceptable and ready to be posted to

	the Conning website for use by Model Users. Documentation of the NAIC produced statistics and how they are calculated is available at [link TBD]. NAIC staff will also check that the intended scenarios were correctly posted on Conning's website. The NAIC's scenario review workpapers will be provided
GOES (E/A) Subgroup	Reviews and signs off on: 1. All material non-routine updates to the model, such as model recalibrations. 2. Any changes to acceptance criteria. 3. Any changes to the GOES Model Governance Framework. Ahead of changes to any of the three items above, public exposure of changes will occur followed by adoptions in a public meeting. Communications of changes will occur through the GOES (E/A) Subgroup distribution list.
NAIC Committee Structure	Reviews and adopts *Valuation Manual* amendments and changes to RBC instructions.

C. Fallback Plan

A fallback plan can define expectations in the event of a disruption to the monthly scenario generation, validation, and publication process. While not all circumstances that could lead to a disruption in the posting of scenario files can be foreseen, this section will lay out broad categories of potential causes of disruption along with a corresponding mitigation plan.

1. Quarter-End and Year-End Scenario Files
    a. Quarterly and Year-end scenario files have greater importance to insurance company financial reporting. Therefore, more robust fallback procedures will apply to the posting of these quarter-end and year-end files.
    b. For month-end scenario files that do not fall on a quarter- or year-end, any delays to the posting of scenario files will be communicated along with an expected timeframe for resolution.
2. Communication of Scenario File Posting Disruption
    a. The distribution list for the GOES (E/A) Subgroup will be utilized to communicate disruptions in the posting of scenario files.
    b. All members, interested regulators, and interested parties will receive notice of the disruption.
3. Mitigation Plans by Category of Disruption

Category	**Description**	**Mitigation Plan**
Minor Validation Error – Caught Prior to Posting	This situation would occur when an issue was found during the validation process by either Conning or the NAIC and the issue could be addressed such	NAIC Staff would communicate the issue as soon as it is discovered on the first business day following the month-end,

	that scenarios could be posted by the second business day following the previous month-end.	along with a timeframe for when scenarios are expected to be posted.
Major Validation Error – Caught Prior to Posting	This situation would occur when an issue was found during the validation process by either Conning or the NAIC that is unable to be addressed such that scenarios can be posted by the second business day following month-end.	NAIC Staff would communicate the issue as soon as it is discovered on the first business day following the month-end. Companies would be instructed to utilize prior month-end scenarios with adjustments as necessary for the current month's valuation. Model governance enhancements to avoid the issue would be developed, adopted by LATF and the LRBC WG, and implemented following the issue.
Minor Scenario Error – Caught after Posting	This issue could occur when a user of the scenarios discovers an error with the scenario set after they have been posted to the scenario website that is expected to have an immaterial impact on company valuations.	NAIC Staff would communicate the issue as soon as it is discovered. Model governance enhancements to avoid the issue would be developed, adopted by LATF and the LRBC WG, and implemented following the issue.
Major Scenario Error – Caught after Posting	This issue could occur when a user of the scenarios discovers an error with the scenario set after they have been posted to the scenario website that is expected to have a material impact to company valuations.	NAIC Staff would communicate the issue as soon as it is discovered. A meeting of the GOES (E/A) Subgroup would be scheduled to fully disclose the issue and discuss potential remedies. If the scenario set fell on a quarter- or year-end, additional guidance may be given by regulators to address the handling of the error (e.g. guidance to estimate a top-side adjustment to reserves, utilize a scenario set from a previous month). Model governance enhancements to avoid the issue would be developed, adopted by LATF and the LRBC WG, and implemented following the issue.
Conning Scenario Website Down	The website https://naic.conning.com/scenariofiles is down and companies are unable to download scenario files.	NAIC Staff would communicate the issue as soon as it is discovered. Scenario files could be posted to the GOES Sharepoint site as an alternative for companies to download.
Conning unable to generate scenario files	Conning is unable to generate scenario files due to and issue such as cloud outage or other business continuity event.	NAIC Staff would communicate the issue as soon as it is discovered, and a revised timeline for posting scenarios could be provided. The GEMS® software would be used by NAIC Staff to generate the scenarios.

III. Stakeholder Responsibilities

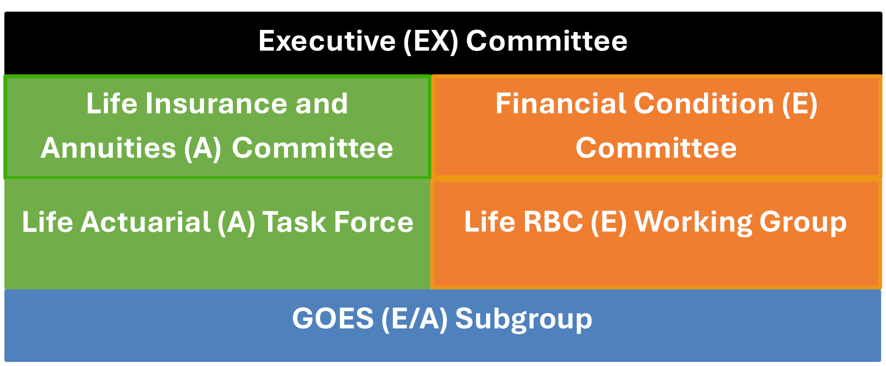
A number of stakeholders are involved in the implementation and maintenance of the model. Specific responsibilities are described in this Section.

A. NAIC Committee Structure

The NAIC Committee structure is shown in the graphic below. The GOES (E/A) Subgroup's roles and responsibilities are discussed in Section III.B. The Subgroup is subordinate to both the Life Actuarial (A) Task Force (LATF) and the Life RBC (E) Working Group (LRBCWG).

The Life Insurance and Annuities (A) Committee is the parent committee for LATF, while the Financial Condition (E) Committee is the parent committee for LRBCWG. Recommended changes to the *Valuation Manual* and Life RBC Blanks/Instructions related to the GOES will be considered for adoption by LATF and LRBCWG before being considered by their respective parent committees.

In addition to having final approval on changes adopted by the subordinate groups, the Executive (EX) Committee has allocated funding to support the NAIC GOES initiative.



B. GOES (E/A) Subgroup

The GOES (E/A) Subgroup will own the GOES Model Governance Framework and be responsible for the approval of all updates to the Framework. As the Model Steward, tthe Subgroup will direct NAIC Staff as necessary to effectuate aspects of the Framework. The Subgroup will organize public calls where technical issues can be discussed and feedback can be received from Subgroup members, interested regulators and interested parties. All regulator-only sessions will follow the NAIC's Policy Statement on Open meetings.

The Subgroup has the following 2025 Charges:

1. Monitor that the economic scenario governance framework is being appropriately followed by all relevant stakeholders involved in scenario delivery.

2. Review material economic scenario generator updates, either driven by periodic model maintenance or changes to the economic environment and provide recommendations.

3. Regularly review key economic conditions and metrics to evaluate the need for off-cycle or significant economic scenario generator updates and maintain a public timeline for economic scenario generator updates.

4. Support the implementation of an economic scenario generator for use in statutory reserve and capital calculations.

5. Develop and maintain acceptance criteria that reflect history as well as plausibly more extreme scenarios.

C. NAIC Staff

NAIC staff responsibilities are as follows:

1. Act under the direction of the GOES (E/A) Subgroup to support the implementation of the economic scenario generator as well as implement and monitor the model governance framework.

2. Bring any governance issues to the GOES (E/A) Subgroup for consideration.

3. Monitor the effectiveness of Conning's controls and validation procedures and recommend changes to the GOES (E/A) Subgroup as necessary.

4. Develop and maintain a process to efficiently produce and review scenario statistics (independent from Conning) for each monthly scenario release to evaluate whether scenarios are acceptable before providing them to Model Users.

D. GOES Vendor (Conning)

Under the terms of the Professional Services Agreement Between Conning, Inc. and the National Association of Insurance Commissioners, Effective September 30, 2020, Conning has responsibility for model development, routine and more extensive model updates, monthly production of scenarios, maintenance of documentation, user support, and other items. Conning's specific responsibilities are described below.

1. Customization of the Models

   Conning will customize the GEMS Scenario Files features and calibration of parameters to reflect any modifications adopted by state regulators to produce real-world interest rate, equity, and bond fund return scenarios for use in calculations of life and annuity Statutory reserves according to the *Valuation Manual* (e.g., VM-20, VM-21, VM-22) and capital under the NAIC RBC requirements (e.g., C3 Phase 1, C3 Phase 2). The resulting customized scenario files are referred to as the Basic Data Set. Scenario sets produced from the Basic Data Set are referred to as the NAIC Economic Scenario Files.

2. Maintenance of Conning Scenario Website

   The NAIC website will contain a link to the Basic Data Set, validation reports, statistics, related tools, documentation, and training materials located on Conning's website. Access will be provided for Model Users regardless of whether they have licensed Conning's software. Model Users means users of the scenarios, including NAIC staff, state regulators, insurance companies, third-party consultants retained by state regulators and insurance companies, and any other person who makes use of the scenarios.

3. Monthly Production of Scenarios, Scenario Statistics, and Validation Reports

   The month-end production items Conning is responsible for are listed in the Model Inventory File (see Section IV.C). The production process must be completed in time to post these deliverables by 4:00 PM Central Time on the first business day of the following month.

   Companies have stressed the importance of meeting this deadline so that valuation work will not be delayed. Conning and NAIC staff will collaborate on creating efficiencies to prepare for this. The process of producing and reviewing all monthly deliverables, including execution of controls, will be tested and practiced before the GOES scenarios are adopted and become effective, with monthly scenario releases planned to begin 10/1/25 .

   Validation reports and additional statistics are expected to be delivered simultaneously with the NAIC Economic Scenario Files. A "dashboard" of how the scenarios compare with acceptance criteria will be included with the statistical reports. See Section V.B for details on the validation process. A sample set of reports will be shown in Appendix A.

Conning will sign off on the controls listed in Section II.B and provide an attestation to NAIC Staff that they were performed, identifying any findings. NAIC Staff will produce and review statistics independently, and review the reports, attestation, and findings to determine whether the scenario set is acceptable. This must be done before posting the scenario files and validation report with each monthly scenario release.

10,000 scenario sets will be posted alongside the scenario selection tool and scenario picking data to allow Model Users to produce subsets. As background, Conning developed an Excel-based tool to create scenario subsets. The tool can select scenarios based on the same methodology used in the AIRG (i.e. based on a significance measure calculated from the 20-year UST) or a gross wealth factor (GWF) based on the Large Cap (S&P 500) equity fund. However, other methodologies to select scenarios may be more appropriate for companies exposed to other risks. For example, a writer of VA products may be more exposed to equity risk. The VM allows companies to use alternative scenario selection methodologies if they meet certain requirements (e.g. documentation that reserves and TAR are not materially understated) or biased downward.

Conning can calculate the UST significance measure and the Large Cap gross wealth factors by scenario and provide that information with each scenario set to use as inputs for the tool.

In the event a scenario set is deemed unacceptable, NAIC staff and Conning will work together to resolve the matter and provide timely communications to stakeholders according to the Fallback Plan documented in section II.C.

4. Parameter Updates

   Conning will develop parameter updates at a frequency determined by the GOES SG. The steps in this process are outlined in Section VI.

5. Documentation

   Conning will provide documentation as described in Section IX.

6. Training Materials

Conning will provide robust training materials for use by Model Users and update these materials periodically as needed.

7. User Support
Conning will provide help desk support to Model Users of the NAIC Economic Scenario Files who have not licensed the software. This will include phone support as well as e-mail at **naicscenarios@conning.com** to allow the NAIC, state regulators and other Model Users to submit questions.

8. Field Testing

   Conning will provide necessary support for field testing of the NAIC Economic Scenario Files under regulatory reserving and capital frameworks. Additional field testing could be necessary if a large change is made to the GOES (e.g. five-year recalibration) or if significant changes are made to an NAIC reserve or capital framework.

9. Additional Information to be Provided Annually

   Conning will provide the following information annually:

   a. Back-testing report comparing the NAIC Economic Scenario Files projected results to what actually happened over the previous year.

   b. Summary information of the number and types of questions submitted to Conning via the support e-mail address, and steps taken to address these concerns (e.g., additional documentation created).

E. Subject Matter Experts and Interested Parties

Subject matter experts and interested parties play an important role in model governance. Industry involvement is critical, as companies will be users of model output and thus could identify issues, propose solutions and scope out testing that may not be readily apparent to regulators and NAIC staff.

Activities may include but are not limited to:

1. Bringing any model or governance issues to the GOES (E/A) Subgroup for consideration.

2. Reporting any issues with scenario delivery and user support to the GOES (E/A) Subgroup and NAIC Staff.

3. Reviewing results of planned model updates (see Section VI.A – VI.C) and providing independent feedback in public sessions of the GOES (E/A) Subgroup.

4. Recommending off-cycle model recalibrations where necessary (see Section VI.D), reviewing the results, and providing independent feedback in public sessions of the GOES (E/A) Subgroup.

IV. Models Subject to the GOES Model Governance Framework

A. Model Definition

ASOP No. 56 defines a model as follows:

"A simplified representation of relationships among real world variables, entities, or events using statistical, financial, economic, mathematical, non-quantitative, or scientific concepts and equations. A **model** consists of three components: an information **input** component, which delivers **data** and **assumptions** to the **model**, a processing component, which transforms **input** into **output**, and a results component, which translates the **output** into useful business information."

Under this definition, all items listed in the Model Inventory File (see Section IV.C) are models.

B. Model Risk Rating

The GOES (E/A) Subgroup assigns models a risk rating (high, medium, or low) depending on their complexity and materiality in terms of financial impact. Any models classified as high risk are subject to all aspects of model governance, while those classified as lower risk may be subject to more limited requirements. This risk-based focus promotes efficiency.

At this time, all models listed in the Model Inventory File are ranked as high risk for the following reasons:

1. The life insurance industry, regulators, and other stakeholders rely on the model output for reserve and capital calculations and issues with the GOES are therefore systemic.
2. Model errors may cause material financial impacts.
3. The models are highly complex.

C. Model Inventory File

The Model Inventory File is an Excel spreadsheet listing each model subject to the GOES Model Governance Framework, along with the following details:

1. Model ID number

2. Model name
3. Model description
4. Product lines using the model output
5. Model status (active or inactive)
6. Model history, including the date of the last model validation and the date of the last model update
7. A link to model documentation, along with the date of the last documentation update
8. Ownership details (Model Developer, Model Owner, and Model Steward) and key point of contact
9. Risk rating of the model (high, medium, or low) and rationale for the rating

The Model Inventory File will be available on the NAIC website (location TBD). A sample file will be provided in Appendix B. The file will include the following models:

- Models producing the Basic Data Set (Treasury, Equity, and Corporate Bond models)
- SERT tool
- Scenario selection tool
- Conning scenario statistics tool
- NAIC scenario statistics tool

NAIC staff will have access to edit the Model Inventory File. Other model stakeholders will have Read access to the file.

The Model Inventory File will be updated whenever there is a new model, whenever a model is retired, and any time there is a change in one or more of the model details shown above.

V. Model Selection and Validation Process

A. Process and Criteria for Model Selection

The process for model selection is intended to ensure that each model meets its intended purpose. Models producing Treasury, equity, and corporate bond scenarios are selected based on the following considerations:

1. Stylized Facts
   Stylized facts describe qualitative criteria that scenarios produced by the GOES Treasury, Equity, and Corporate Bond models should achieve. A link to the current set of stylized facts is provided in Appendix B.

2. Acceptance Criteria
   Acceptance Criteria are quantitative metrics that Treasury, Equity, and Corporate Bond scenarios generally should pass to be considered fit for their intended purpose. If one or more metrics fail the criteria, it may indicate that a revision to the model is necessary. However, judgment is required in making this decision. A criterion overall is not necessarily failed just because some subset of a table of criteria are outside their targets. A link to the current set of Acceptance Criteria is provided in Appendix B.

3. Model Office Testing
   To aid in the initial selection of the Treasury, Equity, and Corporate Bond models, model office testing was done for Variable Annuities, Universal Life with Secondary Guarantees, and Term Life.

   The GOES (E/A) Subgroup may consider the use of model office testing prior to implementation of material model updates.

4. Industry Field Testing
   To aid in the initial selection of the Treasury, Equity, and Corporate Bond models, two industry field tests were done.

   The GOES (E/A) Subgroup may consider industry field testing prior to implementation of material model updates. However, model office testing may be determined to be preferable depending on the resources, time, and cost required for a field test.

B. Model Validation

Conning and NAIC Staff will perform validation procedures on all models used to produce output used in company on a monthly basis to ensure that model output is accurate. Any findings that arise from the model validation process will be handled as described in Section VII.

Key components of model validation include:

1. Input Validation
   Input validation may include a review of source data, review of the initial treasury curve fit, assumption benchmarking, month-to-month model parameter comparisons, and spot checking.

2. Calculation Validation
   Validation of calculations may include an independent full model replication, independent sample calculations, process approximation, formula inspection, testing of interim calculations, and testing of results. In addition to the Model

Developer's calculation validation, the Model Owner will perform user acceptance testing for any software modifications required to implement the NAIC model.

3. Output Validation
   Output will be validated based on reports produced monthly along with the scenario sets (see Appendix A for sample reports). NAIC Staff will produce a "dashboard" included with the scenario statistics to compare the acceptance criteria and stylized facts, where relevant to monthly validation, to summarized scenario output. Thresholds and modifications to acceptance criteria for alternative starting environments will be considered as a "Day II" item after the initial implementation of the GOES.

   When the GOES is recalibrated (e.g. resulting from five-year recalibration), scenario sets under multiple, varied, starting environments will be produced. The resulting statistical packages will be created and shared publicly ahead of approval of the new calibration.

4. An evaluation of the effectiveness of model testing procedures

5. Validation of controls and procedures
   A detailed form including checklists and names of owners and reviewers for each key step will be used to ensure compliance with the sign-off responsibilities documented in Section II A.

VI. Model Updates and Review

This section describes the types of scheduled model changes that will occur monthly, annually, and every 5 years, as well as off-cycle model changes. All model changes are subject to the change management process detailed in Section VIII.

A. Monthly Model Updates

The Treasury model will be updated monthly to reflect starting conditions. This is documented in [GOES Model Documentation Placeholder]. Initial values for equity indices, equity volatilities, and corporate spreads will also be updated monthly.

B. Annual Model Review and Update (If Necessary)

At the beginning of each year, Conning and NAIC Staff will undertake an annual review of the GOES and provide a back-testing report comparing the projected results to the actual previous year's data. Model findings that occurred over the past year would be included in the review along with an associated recommendation. Conning and NAIC Staff will make a recommendation as to whether the model parameters should be revised or left unchanged. The back-testing report, along with the recommendation, will be posted on the NAIC/Conning scenario website in the first quarter of the year and provided to GOES (E/A) Subgroup leadership. If there is a recommendation to change the model parameters, a public discussion of the GOES (E/A) Subgroup will be called to discuss and determine a course of action. More complex changes, such as changes to the model form, are outside the scope of the annual model review.

Updates to the GEMS® software version used to produce the monthly GOES scenarios will also be considered during the annual review process. As part of Conning's normal course of business, they fix bugs and/or make enhancements to their software on a roughly monthly basis. However, all clients have the option of running previous versions of the software. During the annual process, Conning and NAIC Staff will perform testing of the GOES using the latest version of the software to determine whether there were any impacts to the scenarios. Results of the software version testing along with a recommendation on acceptance of a new version of the software will be posted to the NAIC/Conning Scenario website and provided to the leadership of the GOES (E/A) Subgroup. If there are any changes to the scenarios as the result of the software update, a meeting of the GOES (E/A) Subgroup would be held to discuss and determine a course of action.
To facilitate user acceptance testing, scenario sets using both the proposed and current GOES parameterization would be provided, with no fewer than 30 days granted for interested parties to provide comment. NAIC Staff will also prepare model office analyses to quantify the impact from annual model updates. All changes resulting from the annual model review would be targeted to go into effect for the June month-end.

C. 5-Year Model Recalibration

Conning will perform a periodic GOES recalibration process every five years. This will include the following steps:

1. Conning will conduct research on potential changes as requested by state regulators.

2. Conning will document and present potential changes to state regulators for exposure and adoption, and attend meetings as needed to respond to questions/comments received during the exposure period no less than 30 days. Materials to be provided for consideration of changes should include:

    a. discussion on how changes were vetted for complex interactions between parameters,

    b. attribution analysis showing the impact of each change,

c. model office analysis to understand the potential impact prepared by NAIC Staff, and

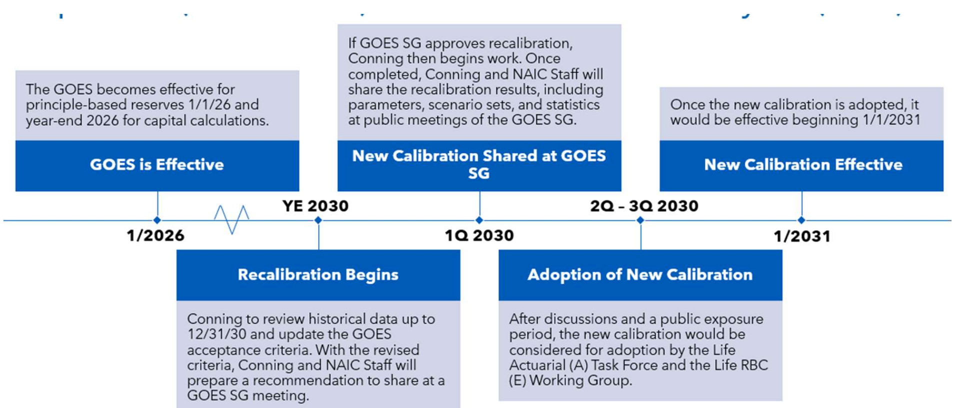
d. documentation on the above in sufficient detail to allow independent review.

3. After discussion and approval at the GOES (E/A) Subgroup, the new calibration will be considered for adoption by the Life Actuarial (A) Task Force and the Life RBC (E) Working Group prior to going into effect at the beginning of a new 5-year recalibration cycle. As part of the approval process, the GOES (E/A) Subgroup, Life RBC (E) Working Group, and Life Actuarial (A) Task Force will consider whether the model is still fit for purpose.

4. NAIC staff will modify model governance documents (Appendix B) as needed to reflect final adopted updates in a timely manner. Conning will provide evidence to the NAIC that changes were made appropriately.

5. Conning will update documentation impacted by any changes.

Exhibit 5.C: 5-Year Recalibration Cycle



D. Off-Cycle Model Updates

As noted in Section III.B, one of the charges of the GOES (E/A) Subgroup is to review key economic conditions and metrics to evaluate the need for off-cycle or significant economic scenario generator updates and maintain a public timeline for economic scenario generator updates. The process for off-cycle model updates would be similar to that of the 5-year model recalibration, with Conning performing research and preparing a recommendation followed by public discussions, exposures, and necessary approvals by the Life RBC (E) Working Group and the Life Actuarial (A) Task Force.

Items that may trigger an off-cycle update include, but are not limited to the following:

- A significant change in economic conditions
- A change in Federal Reserve policy
- Model findings
- Failure to meet a certain number or type of acceptance criteria, a trend towards failure of meeting an acceptance criterion, or GOES (E/A) Subgroup directed revisions to acceptance criteria.
- Change in insurance product offerings available on the market that requires new GOES functionality or emphasis on certain risk drivers.

E. Model Update Oversight

As noted in Section III.B, one of the charges of the GOES (E/A) Subgroup is to review material economic scenario generator updates, either driven by periodic model maintenance or changes to the economic environment and provide recommendations.

F. Software Update Procedures and Controls

Conning's formalized development process incorporates current philosophy regarding quality assurance and good engineering practices. Each step of Conning's process is formalized and monitored to ensure that our functionality is efficient and error-free. Requirements are carefully outlined, and the results are reviewed to confirm that each has been addressed. Conning goes through many iterations of testing and development to ensure that software updates achieve the goals that we have set forth.

Development of new functionality is governed by a product planning process that incorporates feedback from the marketplace, commitments made to customers and prospects, and internally generated enhancement ideas. These enhancements are prioritized to determine release content and a release calendar. Fixing bugs takes priority over new development when allocating resources.

All bug reports and enhancement requests are managed using software project management and service desk tools, regardless of whether the requests are coming from customers, prospects, internal software testing, or the product planning process. The tools support issue tracking and agile project management, helping

Conning plan, track, and manage their work efficiently. Source code is managed using a distributed version-control system for tracking changes during software development. Source code management tools facilitate tracking the sources and reasons for all code changes, allows reconstruction of any code branch at any point in time, facilitates merging of code changes from one code branch to another, and generally enhances the ability of multiple developers to simultaneously work on one code branch. Git is also linked into Conning's automated test system.

G. Software Enhancement Validation Procedures

Conning uses a combination of automated and manual testing to maintain code quality. Conning uses two separate automated testing systems. The first is a custom-built test platform which controls a set of dedicated machines (currently 25 in the pool) and uses them to run a series of automated tests on daily and weekly test cycles. Each automated test installs an up-to-date copy of our software from our revision control system and then runs a series of end-user test cases. The test cases use automated end-user interaction with the software user interface. Over 70 model input definition files are available for use in the automated test process, and these collectively test many different combinations of modules, model choices, parameter values, etc. Conning does not use client data for testing without permission.

Some of the automated testing involves running simulations in previously released versions of the software, then re-running the same simulation (using the same definition file) in a release-candidate version or a development version and then finally testing to see that the results are identical, ensuring backward compatibility and reproducibility. Other test cases exercise Definition Editor functionality via record-playback, while yet others test grid functionality. Some test cases run performance benchmarks to guard against the accidental introduction of performance bottlenecks. In addition to the automated testing, major releases go through extensive manual testing of the new functionality (for which automated tests may not yet have been created). Quantitative release criteria related to defect discovery must be met before the release is considered ready to ship.

The second test system is based on a DevOps platform that provides a comprehensive set of tools for testing, building, and deploying our software. The DevOps platform performs web-based tests and unit tests comprising a suite of 800 (and growing) web-based tests and over half a million-unit tests split into over 50 categories.

Conning maintains a repository of all previous versions of the software. Additionally, Conning software is designed to be backwards-compatible, so users can always reproduce results generated in prior versions using their currently installed version. Furthermore, Conning has secure primary and backup data centers where files and data are replicated daily.

VII. Process for Handling Model Findings

While every effort will be made to avoid errors in model calculations, inputs, and methodologies, it is possible that issues will be identified. "Model findings" refer to any issues discovered during model governance procedures or identified by a Model User or other stakeholder that have a financial impact for users of the model output. Model findings may be identified by any model stakeholder. Model Findings that occur during the monthly scenario generation and validation process have additional treatment detailed in section 2.C "Fallback Plan".

A. Tracking and Communication of Model Findings

All findings must be documented in the Model Findings Inventory, which tracks findings, estimated impacts, and remediation activity. When findings are remediated, the impact to model outputs must be documented and communicated to Model Users and the GOES (E/A) Subgroup.

B. Risk Classification

To ensure effective monitoring and remediation priority, each finding will be assigned according to each of the risk categories below in the Model Findings Inventory.

1. Error vs. Refinement

   Errors are model findings where the scenario results deviate from the intended or expected results due to inappropriate inputs, software coding, or other factors. Refinements are model findings that involve a known model limitation, simplification, or desire to capture an emerging best practice. Errors should be communicated and addressed as soon as possible, and a review of controls should be performed to identify the root cause of the error and mitigate for future scenario releases.

2. Materiality

   Materiality will be driven based on the potential dollar and/or percentage impact on reserves, surplus, and risk-based capital. This will also include an assessment of whether it will impact a broad segment of the industry or a relatively small number of companies. An immaterial finding would be one that does not currently have a material financial impact and is expected to only decrease in materiality over time. Other factors influencing the consideration of materiality could include reputational impact and operational efficiency.

3. Complexity and Resources Required to Address

The model findings inventory will provide insight on how resource intensive and complex a given finding will be to address.

C. Remediating Findings

Material findings can be considered remediated if:

- It has been determined why the finding occurred;
- Any necessary changes to requirements have been determined and communicated to Model Users; and
- A model change is implemented to remove the finding.

D. Model Findings Inventory

The Model Findings Inventory will be available on the NAIC website (location TBD). A sample file will be shown in Appendix B. The Model Findings Inventory will include the following information for each model finding:

1. Finding ID
2. Finding Status (Open, Deferred, Closed)
3. Date finding was identified
4. Finding type (Error, Simplification, Data Limitation, Model Limitation)
5. Risk classification (Material Complex Finding, Material Simple Finding, Immaterial Finding)
6. Detailed description of the finding
7. Model ID
8. Model name
9. How the finding was identified
10. Estimated impact of finding
11. Determination of why the finding occurred
12. Necessary changes to requirements because of the finding
13. Description of model change implemented to remove the finding
14. Date finding was last reviewed

NAIC staff will have access to edit the Model Findings Inventory. Other model stakeholders will have Read access to the file.

The Model Findings Inventory will be updated whenever there is a new finding, whenever a finding is remediated, and any time there is a change in one or more of the details shown above.

E. Emergency Model Findings and Expedited Process

Material errors discovered in the GOES scenarios could necessitate the need to be classified as an "Emergency Model Finding" and undergo an expedited process for remediation. Under this situation communication and quick public discussion of an issue would be important to determining rapid corrective action. If necessary, membership of the Life Actuarial (A) Task Force could consider a "Waiver of Task Force Procedure" under the Valuation Manual Section 1.A.4.

F. Incident Documentation and Remediation (Postmortem Reports)

After an incident of model error or operational error, the model owner will write a report documenting the incident, the resolution, the root causes, and follow-up actions taken to prevent it from happening again (i.e. "Postmortem"). Postmortems should include specifics about the effectiveness of controls and any changes to controls. The report will be available to all interested parties.

VIII. Model Change Management

Model change management is the process to ensure that model changes are controlled and accurate. Three tools will be used to facilitate the change management process: 1) a Model Change Request Template, for submitting change requests; 2) a Model Change Request Inventory, to keep track of all change requests and their status; and 3) a Model Change Documentation Template, to ensure that changes are documented and made in a controlled manner. These tools are described in sections B and E below.

A. Model Change Categories

Each model change will be classified into one of the following model change categories, which determines the level of governance required.

Model change category	Definitions	Level of governance
Routine change	Scheduled updates, e.g. to update monthly starting conditions	Full governance, except that model change requests and tracking are not required
Model enhancement	Implementation of new methodology, incorporation of updates to existing requirements (e.g., VM-20 or VM-21 updates), etc.	Full governance

Model correction	Remediation of model issues identified through model validation, result analysis, external feedback, etc.	Full governance
Cosmetic updates	Updates to model coding or structure which do not impact model outputs	See "Software Enhancement Validation Procedures"

"Full Governance" means that the governance process will include:

- Tracking of the issue in the model change log
- Development of a recommendation for an enhancement by Conning and NAIC Staff
- A public exposure period of no shorter than 30 days prior to public discussion and consideration of adoption.
- Validation and demonstrations to confirm the validity of the model change.
- Updates to documentation, as necessary.

B. Model Change Requests and Tracking

Routine model changes supporting monthly production of scenarios do not require a formal change request, tracking, or consideration by the GOES (E/A) Subgroup.

Other model change requests may be initiated by members of the GOES (E/A) Subgroup, Interested Regulators, or Interested Parties. Requests may be made by completing a Model Change Request Template and sending it to the NAIC staff support person for the GOES Subgroup. The Model Change Request Template will be available on the NAIC website.

The Model Change Request Template is intended to be used as a mechanism for sharing and escalating concerns. For example, it may be used when Model Users feel the model is generating inappropriate results or is causing unusually large impacts.

Model change requests will be tracked in the Model Change Request Inventory, which will be maintained and kept up to date by NAIC staff. The Inventory will indicate which models are impacted by the requested change, along with an expected resolution date.

Material model changes will be considered by the GOES (E/A) Subgroup, and if adopted through the NAIC committee structure, will be carried out by the Model Developer, with oversight by the Model Owner and Model Steward.

Only NAIC staff will be given access to edit the Model Change Request Inventory. Other model stakeholders will have Read access to the file. The Model Change Request Inventory will be available on the NAIC website (location TBD).

C. Handling of Material Model Changes

There may be events that warrant significant changes to the GOES models, assumptions, and calibrations. In these situations, the GOES (E/A) Subgroup may consider the use of model office testing and/or field testing to analyze the impacts prior to implementation. This is not expected to be necessary for routine model updates.

Field testing is time-consuming and can be expensive. Where possible, model office testing may be considered as an alternative.

D. Modeling Environments

For the GEMS® software, Conning uses three separate modeling environments: a development environment, a test environment, and a production environment. These environments are based in separate work areas, with different permissions granted to users per their roles within the model governance framework.

All model changes occur in the development environment. Models are copied from the production environment into the development environment, where full editing access is available. Using this version of the model, developers make the necessary changes, conduct testing and complete the required change documentation to meet all governance requirements.

After changes are implemented, the model is copied to a distinct testing environment. Specific testing procedures are performed at the discretion of the model developer and model owner. The adequacy of testing will be reviewed by NAIC staff as directed by the GOES (E/A) Subgroup.

Once model development and testing are complete and full governance procedures have been followed to confirm and approve changes, models are promoted back to the production environment. In the production environment, only read access permissions are granted to the model developers to prevent any unintended changes to the production models. It is important to link a detailed description of the model changes to the newly promoted model to ensure clear version control.

E. Model Change Documentation Template

The Model Change Documentation Template (see Appendix B) will be used to ensure that changes are documented and made in a controlled manner.

The model developer is responsible for completing the template for each model change. The template contains the following information:

- Technical details of the changes made in the model
- Summary of the impact of changes on model outputs
- Summary of model testing results
- Model User acceptance testing and validation sign-off
- Any findings identified during the model change process

Only Conning and NAIC staff will be given access to edit the Model Change Documentation Template. Other model stakeholders will have Read access to the file. The Model Change Documentation Template will be available on the NAIC website (location TBD).

F. Model Documentation Updates

Model documentation must be updated to reflect changes made to existing models. Documentation updates are made by the model developer and reviewed by the model owner. The model steward is responsible for confirming documentation updates are made promptly.

G. NAIC Analysis and Review Tools

To facilitate their review of the GOES scenarios, the NAIC maintains the following tools:

- SAS Scenario Statistics Program
- Excel Scenario Statistics Workbook
- Excel Scenario Picking Data Independent Recalculation Tools
- SERT Scenario Review Tool
- GOES Review and Signoff Template

Enhancements and fixes to these tools will be managed via change logs. All changes will be peer reviewed to check for accuracy and documented in the change log. The change logs will be maintained for auditing purposes and available upon request from an interested party.

H. Maintenance of the Governance Framework

The GOES Model Governance Framework will be exposed for routine comments and revisions at least annually. The requirement for routine annual exposures does not preclude the ability to hold off-cycle exposures and revisions. Each new version of the

GOES Model Governance Framework that is adopted will be labeled with a version number. Versions will be made available on the same website as scenarios.

IX. Documentation Requirements

Conning will provide documentation on non-proprietary specifications and components of the GEMS Scenario Files used to develop the Basic Data Set and other models listed in the Model Inventory File. Access to this documentation is available to all Model Users. Documentation will be stored on Conning's website. The NAIC's website contains a link to Conning's website which is available to all Model Users.

Conning's Software Documentation Library contains more detailed documentation. It is available to Model Users who:

- Sign Conning's Nondisclosure Agreement, or
- Consultants engaged by a Model User that have signed a Nondisclosure Agreement, or
- Choose to purchase the Robust Data Set, or
- Choose to license Conning's API Tool, or
- Choose to license Conning's software

Additional documentation will be included in the model governance spreadsheets (e.g. model inventory file, model change documentation template, etc.).

X. Access Controls

Access controls are important to prevent unauthorized changes (whether inadvertent or otherwise). The table below summarizes the access granted to models and supporting documents.

	Access Level Granted		
Model or Document	**Conning**	**NAIC Staff**	**Other Parties**
Conning models listed in the Model Inventory File	Read/Write Dan Finn Other Conning staff trained on NAIC model requirements	None	None

Deleted: Casey Pursley¶

	Read Only Other Conning staff trained on NAIC model review requirements		
NAIC Software and Programs Used to Create Model Statistics (for purposes of validating Conning's metrics periodically and after any recalibrations)	None	Read/Write Brian Shade McKayla Doyle Jim Stinson Read Only Scott O'Neal	None
Model Inventory File	Read Only	Read/Write Scott O'Neal Amy Fitzpatrick	Read Only
Model Change Request Form	Read/Write	Read/Write	Read/Write
Model Change Request Inventory	Read Only	Read/Write	Read Only
Model Findings Inventory	Read Only	Read/Write	Read Only
Model Change Documentation	Read/Write	Read/Write	Read Only

Deleted: Dan Reilly

Deleted: Kennedy Kilale¶

XI. Appendices

A. Sample Monthly Model Validation Reports and Statistics

Basic Data Set Validation Reports and Basic Data Set Additional Statistics files are available at https://naic.conning.com/scenariofiles.

Deleted: A link will be provided. Discussion is needed to finalize these.

B. Supporting Documents

This section will contain links to supporting model governance documents.

Document	Link
Stylized Facts	
Acceptance Criteria	
Model Inventory File	

Model Findings Inventory	
Model Change Request Template	
Model Change Request Inventory	
Model Change Documentation Template	

C. Version History

Version Number	Version Date	Description of Document Update	Author
01	9/23/2024	Preliminary draft	Pat Allison, NAIC
02	10/29/25	Second Exposure Draft	Scott O'Neal, NAIC
03	12/7/25	LATF Fall National Meeting	Scott O'Neal, NAIC

D. Reference Documents

The following documents were used as references in the creation of this model governance document:

1. Materials discussed at the 5/1/24 meeting of the GOES (E/A) Subgroup

    a. "A Framework for Developing, Evaluating, and Implementing Economic Scenario Generators (ESGs) – ESG Model Governance" presented by Tony Dardis, Vice Chairperson, Economic Scenario Generator Work Group (ESGWG), American Academy of Actuaries

    b. ACLI document on model governance, presented by Brian Bayerle

    c. "GOES E/A Subgroup – Model Governance", presented by Scott O'Neal, NAIC Staff Support for the Life Actuarial (A) Task Force and the GOES E/A Subgroup

2. "Model Governance Checklist", published August 2016 American Academy of Actuaries

3. “Model Governance Practice Note”, published April 2017 American Academy of Actuaries

4. “Actuarial Standard of Practice No. 56 Modeling”, December 2019

5. Professional Services Agreement Between Conning, Inc. and the National Association of Insurance Commissioners, Effective September 30, 2020

6. Comments on model governance from GOES field test participants

Draft: 12/1/25

Generator of Economic Scenarios (GOES) (E/A) Subgroup
Virtual Meeting
October 29, 2025

The GOES (E/A) Subgroup of the Life Risk-Based Capital (E) Working Group and the Life Actuarial (A) Task Force met Oct. 29, 2025. The following Subgroup members participated: Mike Yanacheak, Chair (IA); Peter Weber, Vice Chair (OH); Ted Chang (CA); Wanchin Chou (CT); Matt Cheung (IL); Scott Shover (IN); Ben Slutsker (MN); William Leung (MO); Seong-min Eom (NJ); William B. Carmello (NY); Rachel Hemphill (TX); and Craig Chupp (VA).

1. Adopted Revisions to Corporate Model Calibration

Daniel Finn (Conning) said that two issues with the bond fund scenarios in recent releases of the GOES scenario sets had been identified by interested parties. The first issue is that the linkage from the corporate model is incorrectly linked to unfloored Treasury scenarios rather than the post-flooring values, which affected the Dec. 31, 2024, March 21, 2025, and June 30, 2025, scenario sets. Finn said that the second issue is a misalignment of the bond fund excess returns with the state insurance regulators' adopted acceptance criteria. As a result of the issues, Finn noted that the scenario sets up to June 30, 2025, had been pulled from the website and that a recalibration had been performed on the corporate model.

Finn then walked through the results of the corporate model recalibration that showed how closely the average excess returns in projection years 20 through 30 matched the acceptance criteria under a range of starting conditions.

Iouri Karpov (Prudential) asked why there was still some movement in the model results under the different starting conditions, noting that the American Academy of Actuaries (Academy) had chosen the acceptance criteria target to be based on projection years 20 through 30, as it expected that the model would be stable at that point. Finn noted that some reversion of the spread was still occurring in those years, and it was particularly noticeable in starting spread environments that were far from the long-term targets.

Matt Kauffman (Moody's Analytics) asked what rate basis the average excess returns were based on, and Finn replied that it was based on semi-annual par.

Hal Pedersen (Academy) asked if Conning and the NAIC would re-release all the scenarios that had been shared as part of the trial process. Finn said it intends to re-release all the scenario files that had been impacted by the issues with the bond funds (Dec. 31, 2024, March 21, 2025, June 30, 2025, and Sept. 30, 2025). Pedersen then asked if the multipliers Conning had described would be utilized for all production scenario sets going forward, which Finn confirmed.

Brian Bayerle (American Council of Life Insurers—ACLI) asked whether the Academy would need additional time to review the new corporate calibration. Pedersen said that the Academy had expressed concerns about the corporate model in the past, but it would review the scenarios when released and provide feedback.

Chang made a motion, seconded by Weber, to adopt the proposed revisions to the corporate model for future scenario releases and re-releases of the Dec. 31, 2024, March 21, 2025, June 30, 2025, and Sept. 30, 2025, scenarios. The motion passed unanimously.

2. Re-Exposed Revisions to the GOES Model Governance Framework

Scott O'Neal (NAIC) walked through a presentation (Attachment Seventeen-A) that highlighted recent revisions to the GOES Model Governance Framework.

Weber made a motion, seconded by Cheung, to expose the revised GOES Model Governance Framework for a 21-day public comment period ending Nov. 18. The motion passed unanimously.

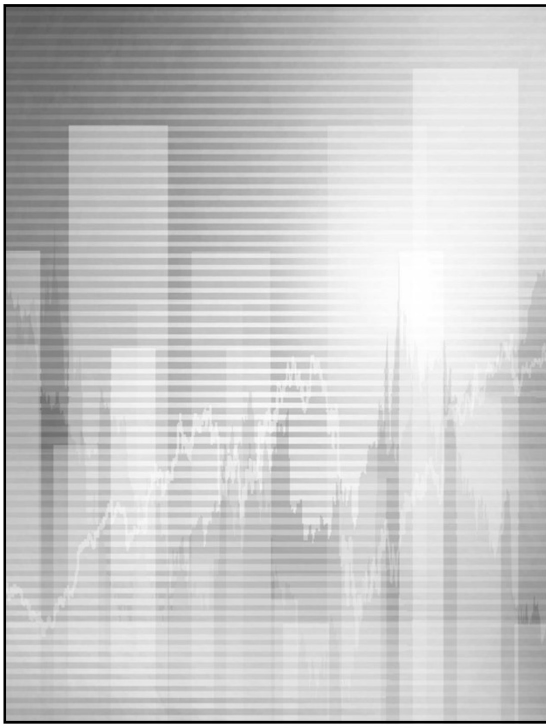
3. Exposed NAIC Scenario Review and Validation Procedures

O'Neal said that the NAIC wants to be transparent about the procedures in place for reviewing the monthly GOES scenario releases at the NAIC and is looking for feedback on how it could improve its review. O'Neal discussed the NAIC's scenario review workpapers, including the: 1) review and sign-off template; 2) the consolidated statistics workbook and acceptance criteria dashboard; 3) the stochastic exclusion ratio test (SERT) scenario review template; and 4) the scenario picking data independent recalculation tools.

Cheung made a motion, seconded by Weber, to expose the NAIC's scenario review workpapers for a 21-day public comment period ending Nov. 18. The motion passed unanimously.

Having no further business, the GOES (E/A) Subgroup adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/A CMTE/LATF/2025-3-Fall/GOES SG Calls/10 29/Oct 29 Minutes.docx



NAIC

GOES (E/A) Subgroup

Model Governance Framework Updates and Remaining Considerations

10/29/25

1

NAIC

Agenda

1. Key Updates to GOES Model Governance Framework Since Summer National Meeting
2. Remaining Considerations

Appendix: GOES Model Governance Updates Discussed During Summer National Meeting

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

2

2

NAIC

Key Updates

Model Office Analysis

- **VI.B Annual Model Review and Update (If Necessary)**
  - NAIC Staff will also prepare model office analyses to quantify the impact from annual model updates.
- **VI.C 5-Year Model Recalibration**
  - Materials to be provided for consideration of changes should include:
    - …
    - model office analysis to understand the potential impact prepared by NAIC Staff

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS 3

3

NAIC

Key Updates

Emergency Model Findings and Expedited Process

VII.E - Material errors discovered in the GOES scenarios could necessitate the need to be classified as an "Emergency Model Finding" and undergo an expedited process for remediation. Under this situation communication and quick public discussion of an issue would be important to determining rapid corrective action. If necessary, membership of the Life Actuarial (A) Task Force could consider a "Waiver of Task Force Procedure" under the Valuation Manual Section 1.A.4.

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS 4

4

NAIC

Remaining Considerations

Model Owner Role

- Conning is currently listed as the model owner
- **Interested Party Comments:**
  - In my experience, the model owner is typically a leader in the area that relies on the model for business outcomes (i.e., the person who uses the model for decision making and cares about its results). The model owner has overall accountability for the model and is the decision maker on intended purpose, strategy, priorities, usage, etc., including initiating the selection of new vendors and/or models. LATF or the GOES Subgroup would be the natural candidates for this role.

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

5

5

NAIC

Remaining Considerations

Model Risk Rating

- The current framework does not define a methodology for defining a model risk rating. Currently, all of the models are set to a risk rating of "High" given the reliance of the industry on these models.
- **Interested Party Comments:**
  - A defined methodology for determining a finding's risk classification and controls to ensure that the finding is corrected appropriately and in a timely manner.
  - Typically, a model governance policy establishes quantitative and qualitative criteria (and other considerations) for high-, medium-, and low-risk classifications. Each classification is associated with risk-based testing and review requirements. This document provides the rationale for a "high" classification without defining "low" and "medium" because the GOES model is clearly high-risk overall. However, not every model component or tool within GOES may be high risk, so establishing explicit classification criteria may facilitate more efficient, risk-based activity.

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

6

6

NAIC

Remaining Considerations

Technical Review Group

- The model governance framework currently envisions GOES (E/A) Subgroup oversight of NAIC Staff and Conning to address findings. The ACLI suggested that a technical review group be formed including interested parties to review updates resulting from model findings.
- **Interested Party Comments:**
  - Given Conning develops and owns the model, in addition to relying on the GOES subgroup and interest parties to identify the issues/model findings, we suggest NAIC form a smaller/independent technical group to review Conning's technical update for reasonability or unintended consequences.

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

7

7

GOES Model Governance Framework Updates Discussed During the Summer National Meeting

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

8

8

NAIC

Updates to GOES Model Governance Framework

Governance Roles

- Conning responsible for developing and maintaining ancillary tools (e.g. scenario selection tool)
- NAIC Staff independently produces and reviews statistics prior to signoff
- GOES (E/A) SG (Model Steward) responsible for change requests with input from interested parties

Scope of Governance Framework

- The Robust Data Set, API, and all other non-prescribed Conning product offering were removed from the scope of the governance framework.
- The removal of these items allows the NAIC to focus on the prescribed scenarios and removes potential confusion regarding use of non-prescribed generators.

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

9

9

NAIC

Updates (continued): Fallback Plan (II.C)

Category	Description	Mitigation Plan
Minor Validation Error – Caught Prior to Posting	This situation would occur when an issue was found during the validation process by either Conning or the NAIC and the issue could be addressed such that scenarios could be posted by the second business day following the previous month-end.	NAIC Staff would communicate the issue as soon as it is discovered on the first business day following the month-end, along with a timeframe for when scenarios are expected to be posted.
Major Validation Error – Caught Prior to Posting	This situation would occur when an issue was found during the validation process by either Conning or the NAIC that is unable to be addressed such that scenarios can be posted by the second business day following month-end.	NAIC Staff would communicate the issue as soon as it is discovered on the first business day following the month-end. Companies would be instructed to utilize prior month-end scenarios with adjustments as necessary for the current month's valuation. Model governance enhancements to avoid the issue would be developed, adopted by LATF and the LRBC WG, and implemented following the issue.
Minor Scenario Error – Caught after Posting	This issue could occur when a user of the scenarios discovers an error with the scenario set after they have been posted to the scenario website that is expected to have an immaterial impact to company valuations.	NAIC Staff would communicate the issue as soon as it is discovered. Model governance enhancements to avoid the issue would be developed, adopted by LATF and the LRBC WG, and implemented following the issue.

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

10

10

NAIC

Updates (continued): Fallback Plan (II.C)

Category	Description	Mitigation Plan
Major Scenario Error – Caught after Posting	This issue could occur when a user of the scenarios discovers an error after they have been posted to the scenario website that is expected to have a material impact to company valuations.	NAIC Staff would communicate the issue as soon as it is discovered. A meeting of the GOES (E/A) Subgroup would be scheduled to fully disclose the issue and discuss potential remedies. If the scenario set fell on a quarter- or year-end, additional guidance may be given by regulators to address the handling of the error (e.g. guidance to estimate a topside adjustment to reserves, utilize a scenario set from a previous month). Model governance enhancements to avoid the issue would be developed, adopted by LATF and the LRBC WG, and implemented following the issue.
Conning Scenario Website Down	The website https://naic.conning.com/scenariofiles is down and companies are unable to download scenario files.	NAIC Staff would communicate the issue as soon as it is discovered. Scenario files could be posted to the GOES Sharepoint site as an alternative for companies to download.
Conning unable to generate scenario files	Conning is unable to generate scenario files due to issue such as cloud outage or other business continuity event.	NAIC Staff would communicate the issue as soon as it is discovered, and a revised timeline for posting scenarios could be provided. The GEMS® software would be used by NAIC Staff to generate the scenarios.

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

11

11

NAIC

Updates (continued): Annual Model Review (VI.B)

Annual Model Review and Update

- At the beginning of each year, Conning and NAIC Staff will undertake an annual review of the GOES and provide a back-testing report comparing the projected results to the actual previous year data.
- As part of the review Conning and NAIC Staff will make a recommendation as to whether the model parameters should be revised or left unchanged.
- The back-testing report, along with the recommendation, will be posted on the NAIC/Conning scenario website in the first quarter of the year and provided to GOES (E/A) Subgroup leadership.
- If there is a recommendation to change the model parameters, a public discussion of the GOES (E/A) Subgroup will be called to discuss and determine a course of action.

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

12

12

NAIC

Updates (continued): Annual Model Review (VI.B)

Software Version Update

- Updates to the GEMS® software version used to produce the monthly GOES scenarios will also be considered during the annual review process.
- As part of Conning's normal course of business, they fix bugs and/or make enhancements to their software on a roughly monthly basis. <u>However, all clients have the option of running previous versions of the software.</u>
- <u>During the annual process</u>, Conning and NAIC Staff will perform testing of the GOES using the latest version of the software to determine whether there were any impacts to the scenarios.
- Results of the software version testing along with a recommendation on acceptance of a new version of the software will be posted to the NAIC/Conning Scenario website and provided to the leadership of the GOES (E/A) Subgroup.
- If there are any changes to the scenarios as the result of the software update, a meeting of the GOES (E/A) Subgroup would be held to discuss and determine a course of action.

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

13

13

NAIC

Updates (continued):5-Year Recalibration Cycle (VI.C)

GOES is Effective (1/2026)
The GOES becomes effective for principle-based reserves 1/1/26 and year-end 2026 for capital calculations.

Recalibration Begins (YE 2029)
Conning to review historical data up to 12/31/29 and update the GOES acceptance criteria. With the revised criteria, Conning and NAIC Staff will prepare a recommendation to share at a GOES SG meeting.

New Calibration Shared at GOES SG (1Q 2030)
If GOES SG approves recalibration, Conning then begins work. Once completed, Conning and NAIC Staff will share the recalibration results, including parameters, scenario sets, and statistics at public meetings of the GOES SG.

Adoption of New Calibration (2Q – 3Q 2030)
After discussions and a public exposure period, the new calibration would be considered for adoption by the Life Actuarial (A) Task Force and the Life RBC (E) Working Group.

New Calibration Effective (1/2031)
Once the new calibration is adopted, it would be effective beginning 1/1/2031

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

14

14

NAIC

Additional Discussion Items: External Auditor

Interested Party Comments

- SOX/MAR attestations are usually provided *after independent testing* (e.g., by an auditor). Will such testing be required for GOES, or will this be a self-attestation (i.e., no independent testing)?
- If a company had developed or were running an economic scenario generator for material GAAP / statutory balances, the generator would likely be in scope for periodic independent testing. Companies outsourcing work affecting financial reporting often require service providers to have a third-party audit and report on their controls (e.g., Service Organization Control (SOC 1) reports).

Ideas for Discussion

- NAIC Staff recommend consideration of external audit of GOES scenario delivery as a "Day II" item.
- Significant effort required to determine scope of external audit, go through NAIC budgeting process, approval by NAIC Executive Committee, select an auditor, etc.
- Additional expense would be involved with setting up SOC 1 reports for the GOES model governance/scenario delivery process.

15 15

15

Actuarial Guideline 53 review update

Fred Andersen, FSA, MAAA
12/7/2025

AG 53 background

- **Actuarial Guideline 53**
  - Requires disclosures and asset-related information for 250+ life insurers
  - How their cash-flow testing models address asset risks & ensure reserve adequacy

AG 53 / VM-30 cash-flow testing overview

- Projections over multiple scenarios
  - Essentially a comparison of:
    - (A) Reserve, premium, and investment return inflows, to
    - (B) Claim payment and expense outflows …
  - A > B implies positive cash-flow testing results & adequate reserves

12/7/2025

3

3

Predictability of factors

- Investment and claim cash flows are needed for CFT projections
- Trends:
  - More complex assets
    - May be more difficult to predict investment cash flows
  - More complex product design
    - May be more difficult to predict claim cash flows

12/7/2025

4

4

Handling of unpredictability of investment cash flows

- Traditional handling of investment cash flows in CFT
  - Fixed income coupons projected
  - **Interest rate / ALM risk**
    - Robust modeling
    - Treasury rate scenarios projected (deterministic or stochastic)
      - Modeling of reinvestment risk and disintermediation risk
        - Low rate scenario: low reinvestment returns, prepayments, calls
        - High rate scenario: depleted asset values, dynamic lapses
  - **Default / underperformance risk**
    - Typically simplistic modeling
      - Flat deduction for defaults, e.g., 30 basis points

Handling of unpredictability of investment defaults / underperformance

- "Traditional" assets
  - Flat bp default assumption may make sense
  - Fairly predictable risk and risk profile, minimal fat tail risk

- Structured or other more complex assets
  - Potential different risk profile than with traditional assets
    - Especially for lower tranches
    - Higher expected returns, higher potential for major losses (fat tail risk)
  - AG 53 company filings generally show similar simplistic modeling approaches for structured and traditional assets
    - A basis point deduction from gross spreads that's the same in all scenarios

AG 53 reviews

- Initial focus on reigning in outlier net yield assumptions has indirectly addressed concerns
  - AG 53: if simplistic modeling, add conservatism
- Current focus: are aggressive but not “outlier” net yield assumptions appropriate?
- Section 4B of AG 53:

> Model Rigor – Where significant risks associated with complex, projected high net yield assets are not adequately captured with traditional modeling techniques, more rigorous modeling of those risks should occur.

- Initiating conversations with targeted companies
  - Those with high exposures and fairly aggressive net yield assumptions without robust default / underperformance modeling

CFT modeling related to complex product design

- Traditional deferred annuity:
  - Dynamic lapses are key factor
  - Significant uncertainty until very recently on extent of lapses in rising interest rate environment; more data coming in
- Complex versions of deferred annuities
  - Guaranteed lifetime withdrawal benefits
    - Perhaps GLWB options with significantly higher present value than cash value
  - Level of confidence in assuming policyholders will select lower-value option?
  - Impacts claim cash flows (amounts and timing)
- Perhaps lessons from VM-22 revision that could apply to VM-30 CFT reports

Combination investment / policyholder behavior risk

- Trend: more illiquid assets supporting annuities
- Complex product design: includes more policyholder optionality
- Optionality means potential for surprise cash flow needs
- Is the possibility of surprise cash flow needs appropriately modeled?
  - Base assumptions are typically well thought out and set
  - However, volatility resulting from uncertainty is typically not reflected

- **Key: what factors are uncertain and impactful?**
  - Or combination of factors

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS
12/7/2025

9

9

Purpose of cash flow testing

- Ensure reserve adequacy in moderately adverse scenarios
- Reserves not needed for entire tail risk but may be needed to reflect tail risk
  - CTE concept
- We do not want under-reserving & “rainy day” money removed from the company due to:
  - Reliance on high returns from risky assets
  - Inability or unwillingness to model key investment, policyholder behavior, or combination risks

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS
12/7/2025

10

10

Baseline for a couple of examples

- Product: Annuity with GLWB
  - $100,000 cash value
  - $120,000 present value of GLWB
  - Assumed 10% GLWB election
  - Reserve held: 102,000
- Assets held: Illiquid, non-agency residential mortgage-backed securities (RMBS)

Example 1 – capturing of asset risks

- Traditional modeling
  - NY 7 Treasury scenarios
  - Perhaps 1,000 stochastic Treasury scenarios
  - Capture of interest rate risk
    - Basic reinvestment and disintermediation risk
    - How RMBS values and cash flows react in different Treasury rate environments
    - Positive cash flows in most / all scenarios
  - Capture of default / underperformance risk
    - 50 bp deducted from RMBS gross reinvestment returns in all scenarios
  - **Does this capture all risks?**

Example 1 – other risks

- Scenario of a distressed residential mortgage market
  - Does projecting along Treasury rate scenarios and 50 bp defaults appropriately capture this risk?
    - Consideration of probability / uncertainty of occurrence
    - Severity of impact of potential occurrence on RMBS

Example 1 – math

- $102 reserve
- $102 of starting assets (RMBS in simplified example) in CFT
- 7% gross yield, 0.5% defaults, 0.3% investment expenses
- 6.2% net yield assumed for 30 years
- Moderately adverse Treasury scenario results in slightly positive ending surplus

Example 1 – math

- If residential mortgage distress occurs at some point over 30 years
- Such that average yield over time is 5.2% instead of 6.2%
- The result is a 20% reserve understatement
- Without modeling distress specific to this asset type
  - This 20% reserve understatement may not be understood to be a possibility

Example 2 – policyholder behavior risks

- Product: Annuity with GLWB
  - $100,000 cash value
  - $120,000 present value of GLWB
  - Assumed 10% GLWB election
  - Reserve held: 102,000

- Assets held: Illiquid

Example 2

- Traditional modeling
  - NY 7 and perhaps stochastic Treasury scenarios
  - Capture of policyholder behavior
    - Estimate of % selecting cash value vs. guaranteed withdrawal stream
      - Often without fully credible data
  - **Does this adequately capture policyholder behavior risks?**

Example 2 – other risks

- Scenario of more policyholders selecting the guaranteed withdrawal income than expected
  - Does projecting 10% of policyholders selecting guaranteed withdrawal income appropriately capture this risk?
    - Consideration of probability / uncertainty of occurrence
    - Severity of impact of potential occurrence on RMBS

Example 2 – math

- $102 reserve
- $102 of starting assets in CFT
- What if 25% of policyholders (instead of 10% assumed) select $120 of GLWB income instead of $100 cash value?
- Result is negative ending surplus and reserve understatement

Details on likely next steps

- Engage with companies regarding these assumptions
- May involve a look at VM-30, not just AG 53
- Develop list of questions, focusing initially on non-traditional asset and policyholder behavior risks

Sample questions re: policyholder behavior assumptions

- Provide commentary and metrics regarding the value assumed to be given up by:
  - Policyholders not optimally utilizing guarantees in various interest rate scenarios.
  - Policyholders lapsing their annuity guarantees, particularly in down interest rate scenarios.

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS
12/7/2025
21

21

Sample questions re: policyholder behavior assumptions

- Provide additional commentary and metrics regarding disintermediation risk in a pop-up scenario in light of asset value decline.
- Provide the assumption on the percent of MYGAs that are assumed to renew versus lapse at the end of the guarantee period.

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS
12/7/2025
22

22

Sample questions re: policyholder behavior assumptions

- For each of these items (from the last two slides):
  - Comment on the level of confidence in the base assumption
  - Provide sensitivity testing reflecting uncertainty about relevant assumptions and impacts

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS
12/7/2025
23

23

High-level next steps

- VAWG engagement with companies on this topic through AG 53 reviews
  - Prioritizing companies with complex assets and complex products
  - Where there's apparent risk beyond AG 53, consider VM-30 review
- Ensuring asset, policyholder behavior, and combination risks are appropriately addressed in upcoming AG 55 filings
- Share general findings at upcoming LATF meetings

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS
12/7/2025
24

24

SOCIETY OF ACTUARIES RESEARCH UPDATE TO LATF – INTERNATIONAL MORTALITY

December 7, 2025

R. Dale Hall, FSA, MAAA, CERA, CFA
Managing Director of Research

The material and information contained in this presentation is for general information only. It does not replace independent professional judgment and should not be used as the basis for making any business, legal or other decisions. The Society of Actuaries assumes no responsibility for the content, accuracy or completeness of the information presented.

1

Global Experience Studies

- Canada individual life mortality tables
  - Annual review of mortality data from Canadian direct writers produced by Canadian Institute of Actuaries (CIA)
  - Most recent analysis is released in October 2025 with analysis on 2018-2023 time period
  - High proportion of life industry covered in these studies
  - Typically presented as A/E ratios on CIA2014 table

2

2

Global Experience Studies

- CIA2014
  - Review of previous standard tables noted emerging experience slopes by age or duration no longer fit well
  - Released in 2022 based on experience in policy years 2009-2019
  - 89 M life-years of exposure; 675 K deaths
  - Tables constructed by
    - Sex
    - Smoker Status
    - Age Last/Nearest

SOA Research INSTITUTE

3

3

Global Experience Studies

- China individual life mortality tables
  - Produced by China Association of Actuaries (CAA) Mortality Investigation Office
  - Generally published every 10 years
  - SOA was an active participant and reviewer of the July 2016 release of the "3rd Mortality Table"
  - Data collected and analyzed from 2010-2013
  - High proportion of life industry covered
  - 4th table CL (2025) released in October 2025

SOA Research INSTITUTE

4

4

Global Experience Studies

- 3rd Mortality Table
  - Data from 9 direct writing insurance companies and 1 reinsurance company; 93% of life industry
  - Calendar years 2010-2013
  - 340 M Policies, 1.85 M Deaths
  - Tables constructed by
    - Product Type: Protection; Savings; Pension
    - Sex
    - Unismoke; Age Last Birthday; Ultimate Only

SOA Research INSTITUTE

5

5

Discussion and Framework Considerations Modifying VM-22 Investment Guardrails Pension Risk Transfer

December 7, 2025

1

Background

- Corporate pension market is estimated to be $3.7 trillion
- Single group annuity contracts can be in the $ billions
- Insures the payment of pensions of US retirees
- Over $200 billion of pension risks transferred to group annuities over last five years
- Market volume has tripled from 2015 to 2024
- Several large life insurers make up most of the PRT market, all with offshore reinsurance capabilities
- Significant competition requiring disciplined pricing with sensitivity to investment assumptions in managing transferred plan assets
- Desire to maintain direct US regulatory oversight within statutory framework

2

2

WHY IS PRT DIFFERENT?

- Only large and sophisticated companies are capable of sourcing significant amounts of capital required for this business, providing sophisticated asset management capabilities, and administering the complex recordkeeping, financial reporting and contractual obligations (e.g., retiree payments) required for this business.
- DOL fiduciary standard imposed on Plan Sponsors in choosing an insurer. When a group annuity is chosen by a pension sponsor, significant consideration is given to the investment capabilities and guidelines of the insurer.
- Investment guidelines are already subject to regulatory review and approval in many states as part of a separate account's plan of operations.
- Group annuities supporting PRT business generally have no optionality (i.e., no cash value and the annuity payment schedule cannot be modified).

3

3

POTENTIAL SOLUTION - PROPOSAL

- Modify VM-22 investment guardrails only for group annuities supporting pension risk transfer (PRT) business to better reflect actual investments, while maintaining an appropriate level of conservatism.

  Guardrail – Prescribed spreads and defaults in VM-20 Section 9.F for 100% PBR credit rating 9 (Baa2/BBB) plus a spread increase of 0.50% to account for illiquidity spreads. VM-31 disclosures required.

4

4

Framework Considerations

Question: Do LATF members support the general direction to modify the reinvestment guardrail for PRT to some extent?

Considerations:

- Unique nature of PRT

- Additional layers of oversight and disclosure

- Trade-off to potentially limit the use of offshore reinsurance

- Other

5

5

Framework Considerations

The current proposal utilizes different spread, default, and investment strategy assumptions than other products as described in Sections 4.D.3 and 4.D.4. Assumptions are required to be disclosed in VM-31.

Question: Should company assumptions for spreads and defaults be used, or should a liquidity spread be considered, as is done for the reinvestment guardrail?

Considerations:

- Maintain PBR principles

- Liquidity spread applied to prescribed spreads and default assumptions may not be lower than company's best estimates.

- Other

6

6

Framework Considerations

Question: Should the reinvestment guardrail be based on BBB plus a liquidity spread, e.g., the NJ proposal of BBB + 50 bp, or some other floor?

Considerations:

- Why BBB? – i.e., floor above investment grade

- Alternatives – e.g., maintain current investment and increase liquidity spread

- Other

7

7

Framework Considerations

Question: What information should be disclosed in VM-31? The proposal currently reflects the portion of company spread assumptions attributable to illiquidity risk and the default assumptions.

f. Spreads – Description of the spread assumptions, including the portion of the spread assumptions attributable to illiquidity and other types of risk, and the interest rate swap spread assumptions

g. Defaults – Description of the default assumptions, including defaults by asset type, quality, and tenor

Considerations:

- Other

8

8

Framework Considerations

Question: What other concerns or considerations should be addressed?

Considerations:

- Should Commissioner approval be needed?

- Review criteria of domiciled state and disclosure/discussion with other states

- Other

9

9

Framework Considerations

Next Steps: What to expose and for how long?

- Framework Considerations

- Current APF

- Revised APF

- Other

10

10

VM-22 Inforce Application - Menu of Approaches

Approach	Description	Mandatory vs. Optional	Criteria for Continuing with CARVM	Granularity of Exemption/Optionality
A	Mandatory Application	Mandatory	None other than VM-22 Exclusion Testing	N/A
B	Mandatory Application with Exemption	Mandatory	(1) Stand-Alone Cash Flow Testing; and/or (2) Demonstration that PBR < CARVM	Policy Form
C	Mandatory Application with Exemption & Materiality	Mandatory	Same as Option B, but optional for policy forms below a materiality threshold (e.g., less than 1% of block)	Policy Form
D	Optional Application: Consistent Across Block	Optional	Optional election but must be chosen to apply the same to all products and issue years within scope of VM-22	All or Nothing
E	Optional Application: Optional by Product	Optional	Optional election for each policy form, but must apply consistent to all issue years within each policy form	Policy Form
F	Optional Application: Full Granularity	Optional	Optional election at the company's desired level of granularity	Group of Policies
G	No Inforce Application	N/A	N/A	N/A

SOCIETY OF ACTUARIES RESEARCH UPDATE TO LATF

December 8, 2025

R. Dale Hall, FSA, MAAA, CERA, CFA
Managing Director of Research

The material and information contained in this presentation is for general information only. It does not replace independent professional judgment and should not be used as the basis for making any business, legal or other decisions. The Society of Actuaries assumes no responsibility for the content, accuracy or completeness of the information presented.

1

Experience Studies Pro Update

Experience Study	Timing	Participating Company Count
2009-2023 Individual Life Term Conversions	4Q 2025	15
2023-2024 Fixed-Rate Deferred Surrender	4Q 2025	24
2022-2024 Variable Annuity Contract Holder Behavior	4Q 2025	17

2

2

Experience Studies

Project Name	Objective	Link/Expected Completion Date
Economic Scenario Generator - 2025 Update	Update the AAA Economic Scenario Generator Annually.	https://www.soa.org/resources/tables-calcs-tools/research-scenario/
GRET for 2026 - Create Factors	Develop the Generally Recognized Expense Table (GRET) for 2026	https://www.soa.org/resources/research-reports/2024/2025-gret-recommendation/
2023-2024 Fixed Indexed Annuity Study - Report	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.	https://www.soa.org/resources/experience-studies/15-22-grp-ltd-inc/
AG-38 Mortality Improvement 2025	2025 AG-38 Mortality Improvement Scales	https://www.soa.org/resources/research-reports/2025/mort-improvement-rates-ag38/
2023-2024 Fixed Indexed Annuity Study - Report	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.	Database Released September 2025
2023-2024 Fixed Rate Deferred Surrender Study - Report	Complete a study of fixed rate deferred annuity surrender rates.	December 2025
2022-2024 Variable Annuity Guaranteed Living Benefit Utilization Study - Report	Examine the utilization of guaranteed living benefit options on variable annuity policies under a Joint SOA/LIMRA project.	December 2025
2009-2023 Term Conversion Incidence and Post-Conversion Mortality and Lapse Experience - Report	Conduct a mortality and lapse experience study on the converted life insurance policies.	December 2025
ILEC SI AUW Underwriting	Understanding SI and accelerated underwriting in life, survey practices, and analyze data as it is available	March 2026
2018-2024 Individual Life Mortality Study	IL mortality study based on VM51 and including additional data on cause of death and accelerated benefits	October 2026

SOA Research INSTITUTE

3

3

Practice Research

Project Name	Objective	Link/Expected Completion Date
ALM Practices	Conducts a survey of current ALM practices focused on various life insurance company products with attention paid to issues such as general account vs. separate account product distinctions.	https://www.soa.org/resources/research-reports/2025/alm-practitioner-survey-questions/
U.S. Drug Abuse Epidemic: Past Present and Future	Create a resource that examines the evolution of the U.S. drug epidemic and outlook of the impact on future mortality.	https://www.soa.org/resources/research-reports/2025/drug-overdose-trends-mortality/
Long term impacts of exposure to the COVID-19 Pandemic	Examines long term impacts of exposure to COVID-19 pandemic by cohorts	https://www.soa.org/resources/research-reports/2025/covid-cohort-mortality-impact/
Review of Offshore Life and Annuity Jurisdictions Reinsurance Landscapes	Examine the offshore reinsurance landscapes	11/25/2025
Fairness Metrics for Life Insurance	Identify and discuss a variety of quantitative metrics that could be used to evaluate fairness of life insurance products under different definitions of fairness.	12/1/2025
Understanding Complex Assets	Examines the use of complex assets in the life and annuity industry compared to traditional public corporate bonds.	12/15/2025
Primer on Investment-Related Regulatory Approaches for Banking versus Insurance Industries	Produce a primer that compares regulatory approaches for actuarially related investment aspects of the banking and insurance industries in North America.	12/15/2025
Criminal Histories and Mortality	Examines the link between individuals with a criminal history and mortality	1Q 2026
LTC Pricing Project Refresh	This is an update to the original study published in November 2016.	3Q 2026

SOA Research INSTITUTE

4

4

Life Practice Council Update

Life Actuarial (A) Task Force (LATF)

December 8, 2025

AMERICAN ACADEMY of ACTUARIES

1

About the Academy

2

Mission: To serve the public and the U.S. actuarial profession

Community: Serving over 20K MAAAs & public stakeholders for 60 years

Standards: Setting qualification, practice, and professionalism standards

Impact: Delivering over 300 insight-driven publications & resources annually

Visit www.actuary.org to learn more.

AMERICAN ACADEMY of ACTUARIES

2

Recent LPC—NAIC Engagement

3

Life Risk-Based Capital (E) Working Group

- Assisting group with developing recommendations for revisions to C-3 framework
- Update on C-3 framework recommendations and future field test/model office analysis

Variable Annuities Capital and Reserve (E/A) Subgroup

- Comments on C-3 Instructions Updates from Generator of Economic Scenarios

Risk-Based Capital Investment Risk and Evaluation (E) Working Group

- Assisting group with developing recommendations for revisions to C-1 framework
- Update on CLO C-1 factor modeling for the Structured Securities Risk-Based Capital (RBC) Project

Risk-Based Capital Model Governance (EX) Task Force

- Joint comment letter in response to revised preliminary principles exposed by the task force

American Academy of Actuaries

3

Recent and Upcoming LPC Activity

4

Webinars/Events:

- Actuaries and Investment Management: Let's Talk! – Nov. 13
- PBR: VM-31 as Seen by Regulators – Dec. 12

Publications

- Governance Checklist, Related to Testing Life Insurance Underwriting for Unfairly Discriminatory Practices
- Excess Interest Reserves as Defined Under Internal Revenue Code §811(d)
- Life Perspectives, Fall 2025

American Academy of Actuaries

4

Life and Health Valuation Law Manual

What's Inside?

- Current topics section outlining key valuation developments and specific state guidance;
- Current NAIC model laws and regulations that have an effect on reserve calculations;
- A discussion of generally distributed interpretations; and
- Current actuarial guidelines from the NAIC *Financial Examiners Handbook*.

actuary.org/lifehealth-manual

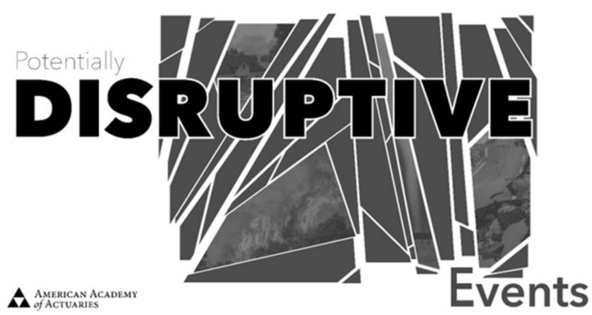
5

Seeking Your Input!

6

The Academy is seeking input on potentially disruptive events:

- significant developments (e.g., emergencies, disasters, cure for chronic disease);
- not covered by routine measures;
- can be caused by natural, man-made, or artificial circumstances;
- cause current actuarial models to no longer be effective.



actuary.org/potentiallydisruptive

American Academy of Actuaries

6

Upcoming Events

- **New Policy Summit & Annual Hill Visits, D.C.** March 8-10, 2026
- **Broadening the Focus Health Symposium, D.C.,** April 2026
- **Life Investment Summit, New York,** May 10-12, 2026
- **PBR Seminar,** August 2026
- **Retirement Symposium, D.C.,** September 2026
- **Casualty Loss Reserve Seminar (CLRS) with CAS,** September 14-16, 2026
- **Life and Health Qualifications Seminar, Arlington,** November 2026
- **Seminar on Effective P/C Loss Reserve Opinions, Nashville,** December 2026

AMERICAN ACADEMY of ACTUARIES

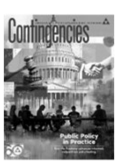
7

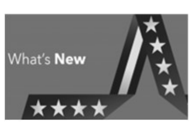
Other Academy Resources

8

Follow the Academy on LinkedIn

Access the Following Resources:



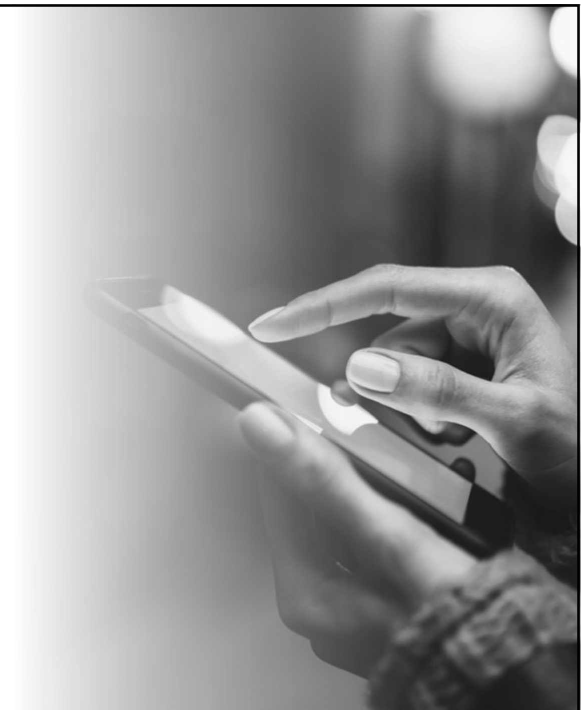


Contingencies Magazine | Policy Forum | Actuarially Sound Blog | Actuary Voices Podcast | Academy Insights

AMERICAN ACADEMY of ACTUARIES

8

Follow the Academy



American Academy of Actuaries

AMERICAN ACADEMY of ACTUARIES

9

Don't Forget!

AMERICAN ACADEMY of ACTUARIES

10

Recent and Upcoming Academy Activity

11

Webinars/Events

- Medicare: Where Are We Now? And Where Are We Headed? – Sept. 9
- Identifying and Managing Bias in AI – Dec. 5
- 2025 Tales from the Dark Side – Dec. 19

Publications

- Health Practice Council Resource Guide focused on the market dynamics for those under 65 (commercial, Medicaid, and employer)
- Climate Data: Actuarial Perspectives on Quality, Challenges, and Effective Risk Quantification
- Influential Features in the Workers' Compensation System—What You May Not Know
- Measuring Statistical Bias in Data Using Entropy

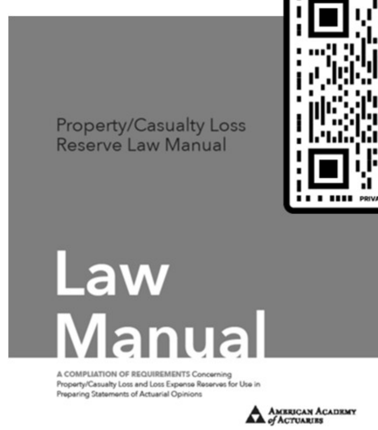
American Academy of Actuaries

11

Property/Casualty Loss Reserve Law Manual

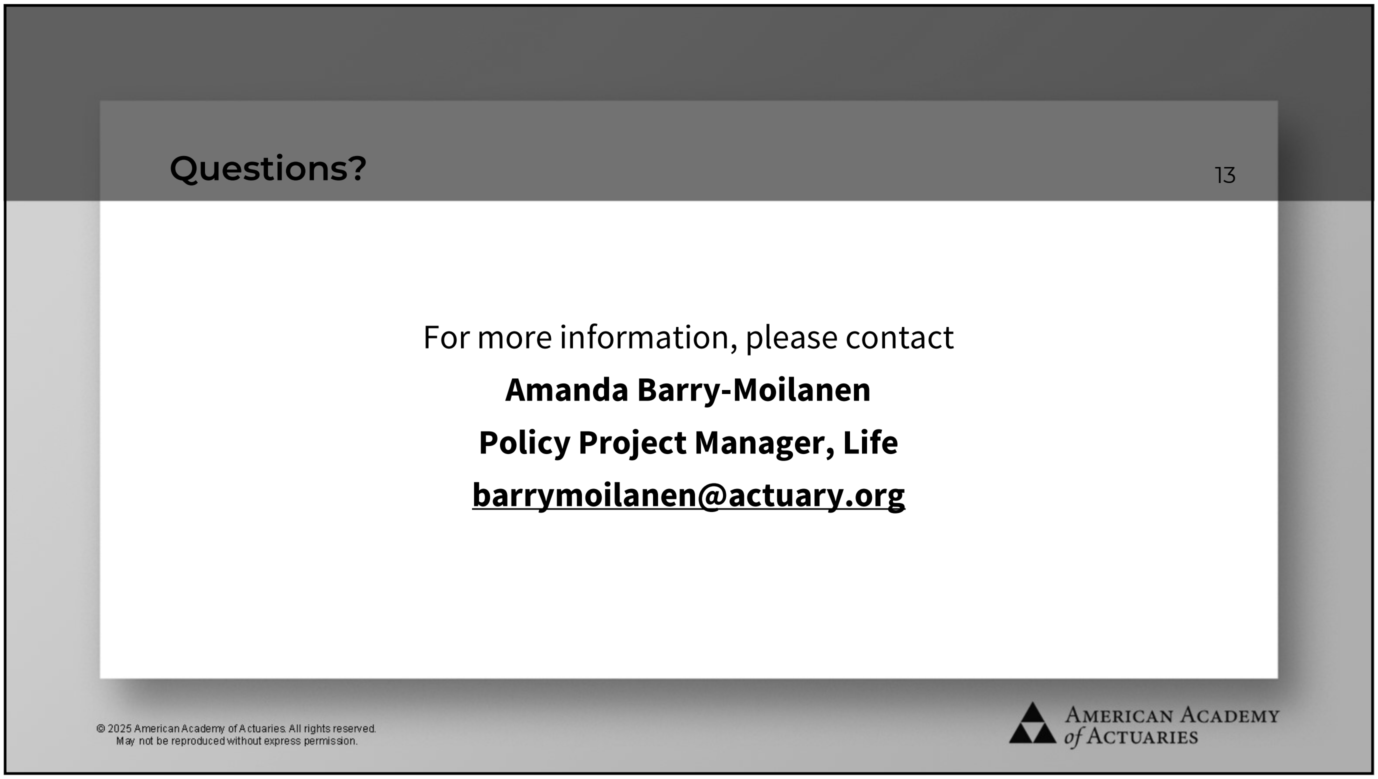
What's Inside?

- SAO requirements and the laws and regulations establishing those requirements;
- Annual statement instructions for the SAO for property/casualty, title loss, and loss expense reserves; and
- Other pertinent annual statement instructions.



actuary.org/PC-manual

12


Questions?
13
For more information, please contact
Amanda Barry-Moilanen
Policy Project Manager, Life
barrymoilanen@actuary.org
© 2025 American Academy of Actuaries. All rights reserved.
May not be reproduced without express permission.
American Academy of Actuaries

13