LIFE ACTUARIAL (A) TASK FORCE

Draft: 4/2/26

Life Actuarial (A) Task Force
San Diego, California
March 21–22, 2026

The Life Actuarial (A) Task Force met in San Diego, CA, March 21–22, 2026. The following Task Force members participated: Amanda Crawford, 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); Peter M. Fuimaono represented by Elizabeth Perri (AS); Ricardo Lara represented by Thomas Reedy and Elaine Lam (CA); Joshua Hershman represented by Lei Rao-Knight and Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak and Kevin Clark (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); Remedio C. Mafnas represented by Charlette C. Borja (MP); Eric Dunning represented by Michael Muldoon (NE); Susan Ochs represented by Seong-min Eom and David Wolf (NJ); Ned Gaines represented by Maile Campbell (NV); Kaitlin Asrow represented by William B. Carmello (NY); Judith L. French represented by Peter Weber and Matt Elston (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); Carter Lawrence represented by Kaleb Short (TN); and Jon Pike represented by Tomasz Serbinowski (UT).

1. Adopted its Feb. 26, Feb. 5, and Jan. 29 Minutes and the Reports of the Variable Annuities Capital and Reserve (E/A) Subgroup and the Longevity Risk (E/A) Subgroup

The Task Force met Feb. 26, Feb. 5, and Jan. 29. During these meeting the Task Force took the following action: 1) adopted amendment proposal form (APF) 2025-12, which adds additional requirements and disclosures related to the *Valuation Manual* (VM)-22, Requirements for Principle-Based Reserves for Non-Variable Annuities, standard projection amount (SPA); 2) exposed a question regarding the potential formation of a nonforfeiture drafting group; 3) exposed revisions to Annual Statement Blanks and Instructions for VM-22 and VM-21, Requirements for Principle-Based Reserves for Variable Annuities; 4) adopted its 2025 Fall National Meeting minutes; and 5) adopted APF 2025-15, which updates VM-20, Requirements for Principle-Based Reserves for Life Products, to use NAIC designation categories for credit rating mappings instead of Table K.

The Task Force reviewed the report of the Variable Annuities Capital and Reserve (E/A) Subgroup, which met Feb. 11 in joint session with the Life Risk-Based Capital (E) Working Group. During this meeting, the Subgroup took the following action: 1) adopted its Oct. 31, 2025, minutes during which it met in joint session with the Life Risk-Based Capital (E) Working Group; 2) re-exposed updated revisions to the C-3 Phase I and C-3 Phase II frameworks; and 3) re-exposed APF 2025-14, which clarifies the scope of variable annuity contracts in the payout phase under VM-21.

The Task Force reviewed the report of the Longevity Risk (E/A) Subgroup, which met Feb. 9. During this meeting, the Subgroup took the following action: 1) adopted its Nov. 19, 2025, and Oct. 9, 2025, minutes *(see NAIC Proceedings – Fall 2025, Life Actuarial (A) Task Force, Attachment Eleven and Attachment Twelve*); and 2) discussed methodologies for risk-based capital C2 charges for longevity reinsurance.

Weber made a motion, seconded by Eom, to adopt the Task Force's Feb. 26 (Attachment One), Feb. 5 (Attachment Two), and Jan. 29 minutes (Attachment Three), the report of the Variable Annuities Capital and Reserve (E/A)

Subgroup (Attachment Four) and its Feb. 11 minutes (Attachment Five), and the report of the Longevity Risk (E/A) Subgroup (Attachment Six) and its Feb. 9 minutes (Attachment Seven). The motion passed unanimously.

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

Slutsker provided a status update on the VM-22 (A) Subgroup, noting that it had several exposures from the 2025 National Meeting relating to aggregation across payout and deferred annuity reserving categories, the scope of VM-22, and treatment of settlement options. He also noted that there was an ongoing discussion on whether to apply VM-22 to in-force contracts in addition to new business.

Slutsker made a motion, seconded by Eom, to adopt the report of the VM-22 (A) Subgroup. The motion passed unanimously.

3. Discussed Comments on VM-22 Aggregation, Settlement Options, and Deposit-Type Contract Exposures

Beginning with the topic of aggregation, Slutsker stated that prior to the adoption of VM-22, state insurance regulators decided to defer the decision on whether aggregation across the payout and deferred annuity reserving categories could be allowed until after adoption. Andrew Jenkins (American Academy of Actuaries—Academy) spoke to the Academy's comment letter, noting that: 1) it is supportive of actuarially justified aggregation that reflects the economics of the business and company risk management practices; 2) it has concerns with aggregation into model segments before the calculation of the scenario reserve when business is managed separately; and 3) economic, path-dependent aggregation after the calculation of scenario reserves should be allowed where appropriate. Brian Bayerle (American Council of Life Insurers—ACLI) said that the ACLI supports aggregation with a high degree of flexibility, supported by disclosures. Slutsker asked Bayerle whether the ACLI supported the revised aggregate language, to which he responded that they would need more time. Hemphill said that she had some concerns with the Academy's suggestion to use aggregation language from VM-20 in VM-22, given her experience reviewing VM-20 and how loose the general interpretation by companies is for the requirement that blocks are being jointly managed. She supported aggregation but was concerned with creating a regulatory reporting and review exercise that would not alter the practical interpretation of the requirements. She also expressed that she believed the underlying concern raised by the Academy was better addressed by the existing asset modeling requirements. Slutsker said that the VM-22 (A) Subgroup plans to meet next month to continue the discussion on aggregation.

Slutsker then discussed APF 2025-18, which clarifies the applicability of VM-22 to deposit-type contracts. Bayerle said that the ACLI supports the scope clarifications for deposit-type contracts in APF 2025-18. Slutsker said that the VM-22 (A) Subgroup would consider adoption of APF 2025-18 during a future meeting.

Slutsker said that settlement options are fixed-income streams arising from host contracts for various reasons, such as annuity living benefits or benefits from annuitization. He noted that APF 2025-19 aimed to clarify when settlement options were in-scope for VM-22, including those arising from host contracts that are not valued under VM-22. Jenkins addressed the Academy's comment letter, noting that its comments were largely related to effective dates. Chupp said that the references to Jan. 1, 2017, should be removed from APF 2025-19 to ensure that companies in runoff that last issued business prior to 2017 would not be subject to implementing VM-22 solely for their settlement options. Hemphill said that in place of the Jan. 1, 2017, date, language could be added to the introductory paragraph to specify that settlement options that would otherwise be subject to VM-22 are eligible for the exemption. Slutsker supported removing the Jan. 1, 2017, date and adding Hemphill's suggested language in the next exposure of APF 2025-19.

Bayerle spoke to the ACLI's comment letter on APF 2025-19, noting that it is generally supportive but sees some potential operational challenges with requiring settlement options to be valued under VM-22 and a limited benefit to applying VM-22 to settlement options with largely fixed cash flows and that are immaterial relative to the underlying business. Therefore, Bayerle said that the ACLI was seeking greater flexibility in allowing companies to determine how they value settlement options by block of business rather than an all-or-nothing uniform application. Bayerle also suggested changing the language in APF 2025-19 requiring domestic commissioner "approval" to "notification." Serbinowski asked if the "approval" language could instead be altered so that it is handled like the principle-based reserve (PBR) exemption requests as the "notification" language implies that the domestic commissioner does not have the option to disapprove. Bayerle noted that the ACLI could support that type of language.

Chupp asked whether the intent of APF 2025-19 was to include all of the categories under VM-V, Statutory Maximum Valuation Interest Rates for Formulaic Reserves. Slutsker agreed that the intention was to include the categories under VM-V, and he said that language from VM-V would be added into APF 2025-19 after hearing no objections from Task Force members or interested parties. Hemphill noted a concern with understanding year-over-year reserve movements in VM-22 PBR actuarial reports if settlement options arising from business subject to PBR then move outside of PBR. Bayerle said that the ACLI could likely support additional disclosures when a business valued under VM-22 is later not valued under PBR after a settlement option. Slutsker said that he would do another chair exposure of APF 2025-19 to include the following revisions based on the discussion: 1) effective date changes; 2) moving to non-disapproval by domestic commissioner; 3) expanding settlement options to host contracts not valued under PBR; and 4) allowing additional granularity in company's ability to value settlement options under VM-22 or pre-PBR methodologies.

Slutsker then moved on to the topic of whether to include guaranteed investment contracts (GICs), synthetic GICs (SGICs), funding agreements, and stable value contracts under the scope of VM-22. Jenkins spoke to the Academy's comment letter, noting that the Academy does not see a strong reason not to include GICs in VM-22. However, Jenkins noted that SGICs have a separate model law, so it may not make sense to include them in VM-22. Bayerle said that the ACLI supported valuing deposit-type contracts under pre-PBR methodologies as the default with the company also being allowed to instead use VM-22 with the non-disapproval of the domestic commissioner. Hannah Suh (New York Life) spoke to New York Life's comment letter, noting support for not including deposit-type contracts under VM-22 due to their risk profile. Tricia Matson (Risk and Regulatory Consulting—RRC) said that VM-22 would better capture the risks of deposit-type contracts and that RRC is in favor of equal treatment for equal risk.

Andersen asked Matson to explain the risks of deposit-type contracts. Matson gave the example of stable value contracts where the risk is concentrated in the tail of the distribution, and she said that VM-22 does a better job of quantifying tail risk. Andersen then asked whether the expectation was that a higher reserve would be produced by VM-22 or pre-PBR methodologies. Slutsker said that one of the comment letters suggested that there could be reserve increases in some cases. Reedy said the decision to include deposit-type contracts was complicated by the aggregation discussion, and more needed to be understood before adding deposit-type contracts into the scope of VM-22. Serbinowski asked what the specific burden of including these types of products in VM-22 would be. Suh responded that building, maintaining, and validating VM-22 models is resource-intensive. Hemphill said that some states have adopted the *Synthetic Guaranteed Investment Contracts Model Regulation* (#695), which requires stand-alone asset adequacy testing (AAT), and that bringing deposit-type contracts under VM-22 would make for more consistent cash-flow modeling treatment of these products. Slutsker said he would do a 75-day chair exposure of questions on the inclusion of deposit-type contracts in VM-22, including: 1) What product risk characteristics should be warranted for exclusion? 2) How would tail risk for excluded products be addressed? 3) What would the operational costs of inclusion in VM-22 be? 4) What would the impacts to reserves be if these products were added to VM-22?

4. <u>Exposed the VM-22 In-Force Application Election Framework</u>

Slutsker introduced the topic of the in-force application of VM-22, noting that the Task Force had received comment letters on questions related to the approach, the scope to be included, effective date, concerns around regulatory review resources, and materiality. Jenkins outlined several positives of mandatory VM-22 in-force application, including: 1) better comparability across companies; 2) more business being reserved for under the latest methodology; and 3) better company asset and liability matching. Jenkins also listed some negatives of mandatory VM-22 in-force adoption, including: 1) lack of appropriate assumptions included in the SPA for older business; and 2) potential limited impact of adoption for certain small and/or older blocks of business. Bayerle spoke to the ACLI's comment letter, noting that the ACLI supports optional application by product, given the likelihood of continued changes to the VM-22 framework and the need to refine the SPA assumptions. Bayerle also welcomed analysis from the NAIC legal department on whether and/or how VM-22 could be applied to contracts that were issued prior to the operative date of the *Valuation Manual*.

Bayerle continued by walking through the ACLI proposal for how the optional VM-22 in-force application could be effectuated, which included: 1) evaluation criteria for VM-22 in-force application; 2) having pre-PBR methods as the default; 3) requiring an analysis to be put together to illustrate the impact of the company's choices on optional in-force VM-22 election; and 4) an established timeframe of when companies could apply for optional in-force application. Andersen said that if the drop in reserves exceeds a predefined threshold, the Valuation Analysis (E) Working Group could participate in the review. Reedy supported Andersen's idea and said that he had heard from companies that they desire greater consistency in the review process. Cheung suggested requiring a VM-31, PBR Actuarial Report Requirements for Business Subject to a Principle-Based Valuation, report when companies request the option to value some or all of their in-force products under VM-22. Weber had concerns about the ACLI's proposed one-time demonstration, noting that experience and economic conditions could change. Slutsker said that he would expose the ACLI's in-force application proposal alongside a series of questions, including: 1) what types of evaluation criteria should be used for in-force application and how frequently should this information be provided; 2) should in-force application be a one-time approval exercise or could companies decide to implement later in the future; 3) how aggregation impacts of in-force adoption could be quantified; 4) what additional requirements could be added to avoid the opportunistic selection of assets between pre-PBR and VM-22 blocks of business; 5) how documentation produced for *Actuarial Guideline LIII: Application of the Valuation Manual for Testing the Adequacy of Life Insurer Reserves* (AG 53); and 6) how could the Valuation Analysis (E) Working Group be involved in the review of company VM-22 in-force applications for a 90-day public comment period ending June 21.

5. <u>Adopted the Report of the Experience Reporting (A) Subgroup and Re-Exposed APF 2024-12</u>

The Experience Reporting (A) Subgroup met Feb. 17 (Attachment Eight) to receive an update on APF 2024-12. Andersen said that over the past couple of years, it was identified that there was a need for the NAIC to collect group annuity experience data. Since then, Andersen said that there has been substantial work by Eom and NAIC committee support to draft and refine APF 2024-12 that will mandate a group annuity experience data collection along with multiple public exposures and discussions. Angela McNabb (NAIC) walked through recent revisions to APF 2024-12 made after additional NAIC committee support review. McNabb noted that the ACLI, in its comment letter, said that companies already meeting the exemption requirements under VM-22 should also be exempt from the group annuity experience collection. However, McNabb said that the NAIC would like additional flexibility in selecting companies for the group annuity experience collection, as there may be small, fast-growing companies that would be good to include. McNabb said that companies can request an exemption from the group annuity experience collection and that NAIC committee support would confer with domestic state insurance regulators for those requests.

Andersen made a motion, seconded by Eom, to expose APF 2024-12 for a 14-day public comment period ending April 6. The motion passed unanimously.

Andersen made a motion, seconded by Yanacheak, to adopt the report of the Experience Reporting (A) Subgroup and its Feb. 17 minutes (Attachment Eight). The motion passed unanimously.

6. Adopted the Report of the GOES (E/A) Subgroup

Scott O'Neal (NAIC) walked through a presentation (Attachment Nine) that discussed recent enhancements to the generator of economic scenarios (GOES) documentation and statistical reports, as well as a proposed software update. Bayerle asked if there would be a meeting of the GOES (E/A) Subgroup to discuss the proposed software update. Yanacheak responded that there would be a chair exposure of Conning and the NAIC's review of the software update, followed by a 30-day public comment period. Yanacheak said that if the comments indicated a discussion was warranted, the GOES (E/A) Subgroup would convene to discuss.

Yanacheak made a motion, seconded by Weber, to adopt the report of the GOES (E/A) Subgroup. The motion passed unanimously.

7. Adopted APF 2025-16

Hemphill introduced APF 2025-16, which updates the reinvestment guardrail for VM-20, VM-21, and VM-22. Hans Avery (ACLI) walked through a presentation (Attachment Ten) that illustrated impact testing that was performed by ACLI member companies to understand the reserve impact of different reinvestment guardrails, followed by O'Neal providing a presentation (Attachment Eleven) that showed reinvestment guardrail reserve impacts from the NAIC's model offices. Chou asked whether Avery could provide any more detail on the outlier company that saw VM-20 reserves decrease ~26%. Avery said that the participants' results reflected the long duration of companies' liabilities. Cheung asked O'Neal for more explanation on the VM-21 model office results. O'Neal said that the NAIC did see impacts from the revised guardrail in the scenario-level adjusted stochastic results, but that these impacts were muted after accounting for the E-factor weighting of the best-efforts and adjusted runs and the impact of flooring at the cash surrender value.

Cheung made a motion, seconded by Eom, to adopt APF 2025-16 (Attachment Twelve). Carmello said that there is no place for BBB-rated securities in statutory reserving. The motion passed, with New York opposing.

8. Heard a Presentation from the SOA on the Development of a New VBT and Exposed Key Decision Areas Document

Mary Bahna-Nolan (Society of Actuaries—SOA) delivered a presentation (Attachment Thirteen) that provided an update on the SOA's valuation basic table (VBT) working group's project to develop a new mortality table to be used in VM-20. Bahna-Nolan also noted that the VBT working group would seek feedback from regulators on several key decision points under consideration. Andersen asked if the VBT working group strongly recommended separate tables for term versus non-term products. Bahna-Nolan said that group members felt strongly that separate tables by product group were warranted, given differences they were seeing in the slope and level of the mortality between term and non-term products. Andersen asked whether the decisions regulators make regarding the VBT table would have an impact on the way that companies price their business, or whether companies were already accounting for products or other specific impacts in their pricing. Bahna-Nolan said that she could not speak for all companies, but that many are already pricing based on the specific features of their businesses.

Andersen also noted a concern about the splitting of mortality assumptions by face amount and the potential for impacts on the affordability of lower face amount insurance products. Andersen continued, noting that these potential impacts to affordability should be understood and that the Task Force should coordinate with the leadership of the Life Insurance and Annuities (A) Committee. Serbinowski asked whether the major determinant between mortality assumptions was the level of underwriting rather than the face amount, and if so, perhaps the mortality tables should be separated based on the level of underwriting. Bahna-Nolan said underwriting was a component, but the VBT working group found greater differentiation based on face amount levels. Hemphill asked if the VBT Working Group would consider adding 2023 experience data to bolster the credibility of the 2018–2019 data for cells where that data was limited. Bahna-Nolan said that the VBT working group was still analyzing the 2023 data and did not yet know if the additional data would significantly boost the credibility of the 2018–2019 data.

Hemphill exposed the VBT working group's key decision areas for a 21-day public comment period ending April 13.

9. Discussed the Formation of a Nonforfeiture Drafting Group

Hemphill said that the Task Force had exposed a question on whether a drafting group should be formed to clarify non-forfeiture requirements for certain life insurance products. Serbinowski said that the existing model laws regulating non-forfeiture requirements were put in place many years ago in a different environment, and that he supported the formation of a non-forfeiture drafting group to provide clarification. Hemphill spoke to the comment letter received from the Washington State Office of the Insurance Commissioner that also supported forming a drafting group to provide prospective guidance. Donna Megregian (Academy) noted the Academy's support for the formation of a drafting group, given different interpretations of current guidance that exist across the industry, and offered to join the drafting group. Bayerle said that the ACLI supported the formation of a drafting group and hoped that the drafting group's work could be closely tailored to the specific issues at hand.

Reedy and Chou said that they would join the drafting group. Yanacheak said that it would be easier for state insurance regulators and interested parties to join if the drafting group had specific charges. Serbinowski outlined that the group would clarify the calculation of the initial expense allowance and amortization for universal life (UL) and variable UL products. Megregian asked that any changes to guidance be applied on a prospective basis, to which Hemphill responded that it was the intent to only apply any new guidance on a prospective basis.

10. Exposed APF 2026-01 and Academy Principles Document

Eom said that APF 2026-01 revises the VM-22 reinvestment guardrail for pension risk transfer (PRT) business. Since initial discussions, Eom noted that best-estimate spreads and defaults had been removed from the proposal, and instead, prescribed spreads and defaults are now included for PRT business. Eom said that APF 2026-01 would allow companies to model their own reinvestment strategies, subject to a cap on returns equal to that of BBB-rated securities plus a 50-basis-point additional spread. Hemphill and Chupp proposed several friendly amendments and corrections to clarify the requirements, including striking a reference to a 50-basis-point reduction to the prescribed default assumption. Serbinowski asked why this specific treatment was being granted for PRT if it is about the assets that the company invests in, rather than the specific liability. Andersen said that since the *Standard Valuation Law* (#820), it has been contemplated that the assumed investment return would vary with the optionality present in the underlying liabilities. Andersen added that this was not an entirely actuarial issue and that practical considerations were driving this proposal.

Clark said that he did not understand the rationale for moving to the BBB-rated security reinvestment asset portfolio. Yanacheak said that part of this proposal relies on a higher level of governance that is present in PRT transactions, but he added that he was not sure that this high level of governance was standard across all transactions and states. Clark asked whether APF 2026-01 only applied to separate account transactions. Wolf replied that it would also apply to general account transactions, but that the largest transactions were typically separate accounts.

Jenkins then walked through a series of principles that could be used to determine whether a liquidity spread is appropriate for a reinvestment guardrail. Slutsker said that there was likely a wider use for the principles, but he questioned whether he would be able to contest the amount of liquidity spread companies are recognizing, given the complexities in attributing additional return across different asset characteristics. Serbinowski agreed that applying the principles in practice could pose challenges. Slutsker returned to Clark's question on the BBB-rated reinvestment portfolio and questioned how the principles could be useful in this proposal that was based in a practical policy objective rather than actuarial practice. Wolf said the point of this proposal was to keep business onshore, and if the business is reinsured offshore, the NAIC rules will not apply. Clark suggested that if technical considerations are not the biggest factor in these discussions, then perhaps the discussion should be held at a higher level with commissioner involvement. Carmello said that he does not support this proposal, and if there is an issue with offshore reinsurance, then it should be handled directly and not indirectly.

Eom made a motion, seconded by Chou, to expose APF 2026-01, with the changes suggested by Hemphill and Chupp, for a 45-day public comment period ending May 7. The motion passed unanimously.

11. Exposed APF 2026-02

Hemphill introduced APF 2026-02, which clarifies that the interest maintenance reserve (IMR) reflected in VM-21 and VM-22 is attributed to a group of policies or contracts rather than to assets.

Chupp made a motion, seconded by Slutsker, to expose APF 2026-02 for a 30-day public comment period ending April 22. The motion passed unanimously.

12. Re-Exposed APF 2023-10

Dave Neve (Academy) discussed APF 2023-10, which revises the discount rate used to determine the stochastic reserve to the net asset-earning rate (NAER) of the additional asset portfolio, rather than 105% of the one-year U.S. Treasury rate. Neve noted that the latest revisions to APF 2023-10 were designed to make the language more consistent with that used in VM-21. Hemphill asked Neve to confirm that the language allowing for a pro rata slice of assets from the starting asset portfolio to be used in the additional asset portfolio was consistent with the requirement that the additional asset portfolio be assets that are outside of the starting asset portfolio. Neve said that if a company is taking a pro rata slice of the starting asset portfolio to use in the additional asset portfolio, it means the company has more assets with those characteristics available to include in the additional asset portfolio.

Chupp made a motion, seconded by Reedy, to re-expose APF 2023-10 for a 21-day public comment ending April 13.

O'Neal walked through model office testing results (Attachment Fourteen) from the NAIC's universal life with secondary guarantee (ULSG) model office. O'Neal said that the model office testing results showed a stochastic reserve decrease of more than 7% when using the NAER method compared to using the 105% of the one-year Treasury rate. Slutsker asked how old the policies were at the time of valuation. O'Neal said that all of the policies were issued three years prior to the valuation date. Slutsker said that while he thought the decrease shown was large, he would expect it to be smaller for later-duration policies.

13. Discussed Errata Process for *Valuation Manual* Grammar and Reference Corrections

Hemphill said there had been ongoing discussions on how best to address grammar and reference issues in the *Valuation Manual* and that O'Neal had a proposal to address them while respecting the change management process outlined in the *Valuation Manual*. O'Neal said that an erratum relevant to the current edition of the *Valuation Manual* would be posted on the NAIC's public PBR web page for state insurance regulators and interested parties to access. Prior to June, the items from the erratum would be compiled into an APF and considered for adoption by the Task Force. Chupp said that some corrections had been made to the 2026 *Valuation Manual* and asked what would happen to those corrections. O'Neal said they would be removed from the current *Valuation Manual* and added to the erratum. Blakey asked whether it would be appropriate to have a redlined version of the *Valuation Manual* that includes the current erratum. Hemphill said that the Task Force could take this idea under consideration.

14. Exposed APF 2026-03

Lam introduced APF 2026-03, which clarifies the dynamic lapse calculation used in the VM-22 SPA.

Lam made a motion, seconded by Slutsker, to expose APF 2026-03 for a 21-day public comment period ending April 13. The motion passed unanimously.

15. Heard an Update on SOA Research and Education Initiatives

Dale Hall (SOA) walked through a presentation (Attachment Fifteen) that provided an update on the research and education initiatives that the SOA is currently working on. Hemphill said her understanding was that regulators could access the studies produced by the SOA's partnership with LIMRA and asked who the best contact would be to obtain that access. Hall responded that regulators could contact him, Patrick Nolan (SOA), or Korrell Crawford (SOA) to gain access to the studies.

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

Matson (Academy) delivered a presentation (Attachment Sixteen) on the Academy's professionalism and education efforts with Laura Hanson (Actuarial Standards Board—ASB), Linda Lankowski (Committee on Qualifications—COQ), and William Hines (Actuarial Board for Counseling and Discipline—ABCD). Weber noted that the COQ was considering opening the U.S. Qualifications Standards (USQS) and asked what key changes the group was considering. Lankowski said that the COQ is pulling together ideas of what would be updated and has not yet provided a recommendation to the board to begin the process. Lankowski said that one goal would be to make the USQS easier to use and understand, rather than a total overhaul of the standards. Weber asked whether any changes were needed due to the SOA's increasing international focus in its education. Lankowski said that the COQ was considering that issue.

17. Heard an Update from the Academy Life Practice Council

Amanda Barry-Moilanen (Academy) provided a presentation (Attachment Seventeen) on the activities of the Academy's Life Practice Council.

18. Received an Update on the NAIC's AI Systems Evaluation Tool Pilot

Miguel Romero (NAIC) gave an update on the NAIC's artificial intelligence (AI) systems evaluation tool pilot program. Romero said that the Big Data and Artificial Intelligence (H) Working Group finalized a draft of its initial AI systems evaluation tool earlier this year. The tool represents the NAIC's latest step to adapt its examination or related processes for insurance companies' use of AI and provides state insurance regulators with an optional resource to assist in evaluating a company's use of AI systems. Romero said that a pilot to test the tool began earlier this month, and all state insurance regulators were cleared to send inquiries related to the tool. The group of state insurance regulators participating in the pilot meets weekly to coordinate company selection, share insights on responses, and receive training on the tool and related data science, compliance, and governance concepts. Hemphill asked whether a regulator-only session could be held so Romero could walk through a real-world example and suggested that O'Neal could coordinate with Romero to determine the materials and timing. Romero said his team could put something together and determine the best way to collaborate with the Task Force.

19. Adopted APF 2025-17

Hemphill introduced APF 2025-17 (Attachment Eighteen), which updates the VM-20 stochastic reserve calculation to reflect the benefit of aggregation. Bayerle spoke to the ACLI's comment letter, noting their support for the adoption of APF 2025-17 and that it brings PBR closer to the principles. Reedy said he supports APF 2025-17 due to its greater consistency with VM-21 and VM-22, as well as the additional incentive for companies to perform stochastic reserve calculations. Carmello said he was not supportive of adopting APF 2025-17. Slutsker said that the Task Force should keep an eye on the level of stochastic reserves held and noted concern that stochastic reserves would infrequently be the dominant reserve with this and other changes. Hemphill said she also had concerns about keeping the VM-20 net premium reserve (NPR) assumptions up to date and about the relationship between the NPR and the modeled reserves.

Reedy made a motion, seconded by Yanacheak, to adopt APF 2025-17. The motion passed, with New York opposing.

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

SharePoint/NAIC Support Staff Hub/Committees/Member Meetings/A CMTE/LATF/2026-1 Spring/National Meeting/Minutes Packet/LATF Spring National Meeting 2026 Minutes.docx

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Life Actuarial (A) Task Force
Virtual Meeting
February 26, 2026

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1. <u>Adopted APF 2025-12</u>

Hemphill introduced amendment proposal form (APF) 2025-12, which adds additional requirements and disclosures related to the *Valuation Manual* (VM)-22: Requirements for Principle-Based Reserves for Non-Variable Annuities standard projection amount (SPA). Brian Bayerle (American Council of Life Insurers—ACLI) spoke to the ACLI's comment letter, noting a concern that certain assumptions embedded in the VM-22 SPA may be more out of date than the most recently available industry data thus making the VM-22 SPA less useful as a benchmark. Slutsker said there are limitations with the VM-22 SPA, but regulators are concerned that companies could use data that has little credibility. Therefore, Slutsker said that the SPA is set up as a floor with a buffer to recognize the limitations of the SPA. Hemphill said that this discussion emphasizes the need to keep the VM-22 SPA assumptions up to date.

Slutsker made a motion, seconded by Cheung, to adopt APF 2025-12 (Attachment One-A). The motion passed unanimously.

2. <u>Reported that it Met in Regulator-to-Regulator Session</u>

Hemphill reported that the Task Force met Feb. 19 and Feb. 12 in regulator-to-regulator session pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings, to discuss the Interstate Insurance Product Regulation Commission's (Compact's) filing information notice (FIN) 2025-2 related to nonforfeiture requirements with the Compact and other companies.

3. <u>Exposed a Question on the Formation of a Nonforfeiture Drafting Group</u>

Hemphill exposed a question that asks if the Task Force should form a drafting group to consider clarifications to nonforfeiture, including the calculation and amortization of the initial expense allowance for variable universal life (VUL) and indexed universal life (IUL), and if there are are other nonforfeiture clarifications that a drafting group should consider for a 14-day public comment period ending March 12.

4. <u>Heard Comments on Compact FIN 2025-2</u>

Bayerle spoke to the ACLI's comment letter, first providing background on the Task Force's adoption of APF 2024-16, which clarified the nonforfeiture treatment for universal life policies with cash values based on multiple sets of guarantees. Bayerle asked the Task Force to clarify the intent of APF 2024-16, as there appears to be a disconnect between that guidance and the Compact's FIN 2025-2. Bayerle noted concerns with FIN 2025-2, including: 1) potential retrospective application of the guidance; 2) application of the guidance to VUL products; and 3) potential conflicts with *Actuarial Guideline XXXVI—The Application of the Commissioners Reserve Valuation Method to Equity Indexed Life Insurance Policies* (AG 36).

Katie Campbell (Compact) provided an update on the FIN 2025-2, noting that: 1) the Compact has taken into consideration feedback that they have received from interested parties; 2) VUL will no longer be included in FIN 2025-2; 3) additional clarification will be added regarding the application to indexed accounts; 4) the Compact is seeking additional guidance from the Task Force regarding *Actuarial Guideline XXIV: Guidelines for Variable Life Nonforfeiture Values* (AG 24) and the amortization of the expense allowance for nonforfeiture purposes; and |5) the Compact will work on the revisions with the companies that had questions about FIN 2025-2.

5. Discussed Revisions to the Annual Statement Blanks and Instructions

Amy Fitzpatrick (NAIC) walked through a series of revisions that had been made to the NAIC annual statement blanks and instructions to address recommendations from the Variable Annuities Capital and Reserve (E/A) Subgroup for VM-21, Requirements for Principle-Based Reserves for Variable Annuities, and changes needed for the adoption of VM-22. Fitzpatrick noted that the Task Force had received comments from the ACLI, the American Academy of Actuaries (Academy), and John Blocher, which were incorporated into the revisions. After some discussion, Hemphill noted that the revisions would be exposed by the Blanks (E) Working Group during its March 5 meeting.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/A CMTE/LATF/2026-1-Spring/LATF Calls/02 26/Feb 26 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.

   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 Slutsker, Chair of VM-22 Subgroup for a 60-day comment 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.

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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 on 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.

Draft: 2/27/26

Life Actuarial (A) Task Force
Virtual Meeting
February 5, 2026

The Life Actuarial (A) Task Force met Feb. 5, 2026. The following Task Force members participated: Amanda Crawford, 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 Elizabeth Perri (AS); Ricardo Lara represented by Ahmad Kamil (CA); Joshua Hershman represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak and Kevin Clark (IA); Ann Gillespie represented by Matt Cheung (IL); Vicki Schmidt represented by Nicole Boyd (KS); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Susan Ochs represented by Seong-min Eom and David Wolf (NJ); Kaitlin Asrow represented by William B. Carmello (NY); Judith L. French represented by Peter Weber (OH); Carter Lawrence represented by Eric Scott (TN); and Jon Pike represented by Tomasz Serbinowski (UT).

1. Discussed the PRT Reinvestment Guardrail Proposal

Eom provided background on a proposal to revise the Valuation Manual (VM)-22: Requirements for Principle-Based Reserves for Non-Variable Annuities reinvestment guardrail for pension risk transfer (PRT) products. Eom said that due to the long-duration nature of the PRT business, companies tend to allocate more of their supporting asset portfolios to less liquid assets that typically earn a higher yield relative to more liquid assets. Eom added that due to additional regulations from the U.S. Department of Labor (DOL) around PRT business, there is additional control over the asset allocation. The level of conservatism present in the guardrail has incentivized companies to reinsure PRT business to offshore entities where alternative regulatory systems allow for greater reinvestment return assumptions. Therefore, due to these factors, Eom had proposed revising the reinvestment guardrail for PRT products to allow for an additional illiquidity spread and requested comments on this proposal.

Bruce Friedland (American Academy of Actuaries—Academy) provided a summary of the Academy's comment letter, noting that: 1) if the Task Force decides that the guardrail should be revised for PRT business, then it should also be revised for business with a similar risk profile; 2) distinct guardrail assumptions might be warranted by company depending on their assets, reinvestment strategies, and risk management practices; 3) the proposal should clarify that the illiquidity spread should only be recognized to the extent it would be realized under a moderately adverse environment; 4) support should be provided for the illiquidity spread in the VM-31: PBR Actuarial Report Requirements for Business Subject to a Principle-Based Valuation principle-based reserving (PBR) actuarial reports; and 5) principles could be developed to help determine whether and how much illiquidity spread should be allowed.

Hemphill supported the Academy's suggestion for justification of the illiquidity spread in company PBR actuarial reports and asked how long it would take the Academy to develop illiquidity spread recognition principles. After discussion, Friedland said that they could be prepared for discussion at the upcoming Spring National Meeting.

Cheung asked if the illiquidity spread would apply to all assets or only to less liquid or illiquid assets. Friedland said that the Academy would discuss this and provide a response.

Hans Avery (American Council of Life Insurers—ACLI) said that the comments in the ACLI's letter largely aligned with the Academy's comments and highlighted that other products with similar risk profiles may warrant this consideration. Eom stated that she wanted to focus first on PRT products. Andersen agreed with Eom, noting that

VM-22 was expected to reduce reserves and that state insurance regulators wanted to understand the impact of the new framework before moving on to more products. Yanacheak said that he had difficulty starting with the PRT product, given that some blocks are in payout and other blocks have significant options available to retirees. Serbinowski agreed and asked for a clear explanation of what makes PRT different and why it should have distinct treatment. Eom said that this could be part of the justification required for companies to be able to take the illiquidity spread.

Clark said that he did not understand why the proposal changed the reinvestment asset mix to be fully allocated in BBB-rated assets. Clark noted that the change seemed more like a change in risk appetite rather than resulting from any differences in the liquidity of the assets. Eom noted that BBB asset allocation plus the liquidity spread would serve as a floor. Wolf added that by allocating the reinvestment assets to BBB, it would obtain the desired spread over time even as spreads widen or narrow. Yanacheak said that some companies have reported that the proposed guardrail would no longer constrain and, therefore, would just use their actual reinvestment strategy. He asked why the guardrail should not just be removed. Hemphill said that it can be useful to have guardrails that are not often constraining. Andersen agreed and noted that in his review of *Actuarial Guideline LIII, Application of the Valuation Manual for Testing the Adequacy of Life Insurer Reserves* (AG 53), he had seen reinvestment return assumptions in excess of the proposed guardrail.

Eom said that she could work on drafting a more refined proposal after hearing the feedback today.

2. Discussed APF 2023-10 (VM-20 Stochastic Reserve Discount Rate)

Brian Bayerle (ACLI) spoke to the ACLI's comment letter on the exposure of amendment proposal form (APF) 2023-10, which would revise the VM-20: Requirements for Principle-Based Reserves for Life Products stochastic reserve (SR) discount rate to use the net asset earned rate (NAER) or the direct iteration method (DIM). Bayerle said that the ACLI was generally supportive of the changes but had some concerns that the proposed language could lead to inconsistencies in the results companies would see when using either the NAER or DIM method. Bayerle said the specific concern was with language that differed from that found in APF 2023-10 and VM-21, Requirements for Principle-Based Reserves for Variable Annuities.

David Neve (Academy) asked whether the ACLI's concerns would be addressed if the language in APF 2023-10 were revised to mirror that of VM-21. Bayerle responded that it likely would, but that the ACLI would need more time to review.

Hemphill asked the ACLI to organize a call between its members and the Academy to resolve their concerns and come up with a revised proposal for consideration at the Spring National Meeting. Bayerle and Neve agreed.

3. Exposed Revisions to Annual Statement Blanks and Instructions

Amy Fitzpatrick (NAIC) walked through a series of revisions that had been made to the NAIC annual statement blanks and instructions to address recommendations from the Variable Annuities Capital and Reserve (E/A) Subgroup for VM-21, Requirements for Principle-Based Reserves for Variable Annuities, and changes needed for the adoption of VM-22. Hemphill exposed the annual statement blanks and instructions revisions for a 21-day public comment period ending Feb. 25.

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

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Draft: 2/24/26

Life Actuarial (A) Task Force
Virtual Meeting
January 29, 2026

The Life Actuarial (A) Task Force met Jan. 29, 2026. 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 Elizabeth Perri (AS); Ricardo Lara represented by Ahmad Kamil (CA); Joshua Hershman 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); Kaitlin Asrow represented by William B. Carmello (NY); Judith L. French represented by Peter Weber (OH); Glen Mulready represented by Andy Schallhorn (OK); and Carter Lawrence represented by Eric Scott (TN).

1. Adopted its 2025 Fall National Meeting Minutes

Chupp made a motion, seconded by Yanacheak, to adopt the Task Force's 2025 Fall National Meeting minutes (*see NAIC Proceedings – Fall 2025, Life Actuarial (A) Task Force*) with an editorial correction. The motion passed unanimously.

2. Adopted APF 2025-15

Hemphill introduced amendment proposal form (APF) 2025-15, which updates *Valuation Manual* (VM)-20, Requirements for Principle-Based Reserves for Life Insurance, to use NAIC designation categories for credit rating mappings instead of table K. Hemphill explained that the reliance on NAIC designation categories and the removal of table K would eliminate a duplicative credit rating mapping system along with associated inconsistencies. She said that an editorial change had been made to APF 2025-15 based on informal feedback from the American Academy of Actuaries (Academy) to reference the NAIC annual statement instructions for Schedule D.

Chupp made a motion, seconded by Weber, to adopt APF 2025-15 (Attachment Three-A). The motion passed unanimously.

3. Exposed APF 2025-12

Hemphill discussed APF 2025-12, which enhances the VM-22, Requirements for Principle-Based Reserves for Non-Variable Annuities, additional standard projection amount (ASPA) disclosures and assumption credibility requirements.

Slutsker made a motion, seconded by Benchaaboun, to expose APF 2025-12 for a 21-day public comment period ending Feb. 18. The motion passed unanimously.

4. Discussed Valuation Manual Editorial Corrections

Scott O'Neal (NAIC) walked through a series of proposed editorial revisions, reference changes, and error corrections to be made to the 2026 *Valuation Manual*. Hemphill said that these edits fell below the "non-substantive" threshold and that in the past these types of revisions had been made without using an APF. However, Hemphill noted that she wanted to hear if there was any objection to making these revisions without drafting an APF. Mathew Eberhardt (Oliver Wyman) asked whether these revisions had been identified by humans or if an artificial intelligence (AI) tool had been employed. Hemphill responded that these revisions had been identified after a manual review.

Brian Bayerle (American Council of Life Insurers—ACLI) noted that while he did not have any immediate concerns with the edits that had been described, he suggested that these edits be logged on the NAIC website in case there is an unintended consequence of the changes. Hemphill and O'Neal agreed to come up with a proposal for how the revisions could be logged on the NAIC's website and bring it back to a public meeting of the Task Force. No Task Force member or interested party objected to making the revisions to the 2026 *Valuation Manual.*

5. Discussed Request to Join the Compact's Product Standards Committee

Weber reminded Task Force members of a request for state insurance regulators to join the Interstate Insurance Compact's (Compact's) Product Standards Committee.

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

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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

   Title of the Issue:
   Update VM-20 Section 9.F.3 and 9.F.4 and Appendix 2 to use the NAIC Designation Category

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:

   2026 Valuation Manual, VM-20 Sections 9.F.3 and Appendix 2

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.)

   As noted in the older guidance notes, PBR credit ratings gave a more granular designation than what was used for NAIC designations. Now that the more granular NAIC Designation Category is available, a separate more granular determination is no longer needed.

   Note that updates to VM-20 will automatically update what is used for VM-21 and VM-22, which point to these sections of VM-20.

   Proposed mappings for residential mortgage loans and insured or guaranteed commercial or guaranteed loans are based on comparison of the RBC factors for these assets to those for commercial mortgages.

   This APF also corrects references to which tables are currently published on the NAIC website and which are available upon request. The NAIC publishes the factors that are to be used. The tables documenting interim steps of the calculation are available upon request, but are not published to avoid inadvertent errors.

Dates: Received	Reviewed by Staff	Distributed	Considered
10/28/25	SO		
Notes: 2025-15			

VM-20, Section 9.F.3 and 9.F.4

3. Determination of PBR Credit Rating

a. Except for assets covered by Section 9.F.3.b through 9.F.3.d below, the PBR credit rating is based on the NAIC Designation Category, as described in the instructions to the annual statement for Schedule D, with 1.A – 1.G mapped to 1 – 7, 2.A – 2.C mapped to 8 – 10, 3.A – 3.C mapped to 11 – 13, 4.A – 4.C mapped to 14 – 16, 5.A – 5.C mapped to 17 – 19, and 6 mapped to 20.

b. Except for assets covered by Section 9.F.3.d below, for a commercial or agricultural mortgage loan, the PBR credit rating is based on the NAIC Commercial Mortgage Designation, with 1 mapped to 7, 2 mapped to 10, 3 mapped to 11, 4 mapped to 12, 5 mapped to 13, and 6 – 7 mapped to [20].

c. Except for assets covered by Section 9.F.3.d below, for a residential mortgage loan, the PBR credit rating is based upon the description found in the Annual Statement, Asset Valuation Reserve Default Component Page, with Line 41 mapped to 7, Line 50 mapped to 10, and line 55 mapped to 11.

d. For a commercial or residential loan that is insured or guaranteed, the PBR credit rating is mapped to 5.

4. Special Situations

For an asset handled under Section 9.F.3 and for which the NAIC designation varies depending on the company's carrying value of the asset, the company must avoid overstatement of the net return of the asset when projecting future payments of principal and interest together with the prescribed annual default costs.

Guidance Note: For example, if a non-agency RMBS is rated NAIC 2 if held at a particular company's carrying value but NAIC 4 if held at par, and that company's cash-flow model first projects the full recovery of scheduled principal and interest, it would be more appropriate to then deduct annual default costs consistent with NAIC 4 rather than NAIC 2. If the company's cashflow model has already incorporated a reduced return of principal and interest consistent with the company's carrying value, then it would be more appropriate to deduct annual default costs consistent with NAIC 2. Modeling of assets with impairments is an emerging topic, and methods for handling in vendor and company projection models vary.

VM-20 Appendix 2 second paragraph

It is important to note up front that the development of prescribed default costs is based entirely on analysis of corporate bonds. Default costs for other fixed income securities and commercial and agricultural mortgages are assumed to follow those of corporate bonds with similar NAIC Designation Categories. Examples of other fixed income securities are structured securities,

Deleted: Table K, referenced in Appendix 2 Section H, converts the ratings of NAIC approved ratings organizations (AROs) and NAIC designations to a numeric rating system from 1 through 20 that is to be used in the steps below

Deleted: A rating of 21 applies for any ratings of lower quality than those shown in the table.

Deleted: <#>For an asset with an NAIC designation that is derived solely by reference to underlying ARO ratings without adjustment, the company shall determine the PBR credit rating as the average of the numeric ratings corresponding to each available ARO rating, rounded to the nearest whole number. ¶
For an asset that is not a commercial mortgage and that has an NAIC designation that is not derived solely by reference to underlying ARO ratings without adjustment, the company shall determine the PBR credit rating as the second least favorable numeric rating associated with that NAIC designation.¶

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Deleted: <#>as the Table K lookup of the numeric rating corresponding to the loan's NAIC commercial mortgages (CM) category, where the latter is assigned by the company in accordance with NAIC life RBC instructions

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Deleted: Guidance Note: The 1 through 21 PBR credit rating system attempts to provide a more granular assessment of credit risk than has been used for establishing NAIC designations for RBC and asset valuation reserve (AVR) purposes. The reason is that unlike for RBC and AVR, the VM-20 reserve cash-flow models start with the gross yield of each asset and make deductions for asset default costs. The portion of the yield represented by the purchase spread over Treasuries is often commensurate with the more granular rating assigned, such as A+ or A-. Thus, use of the PBR credit rating system may provide a better match of risk and return for an overall portfolio in the calculation of VM-20 reserves. However, for assets that have an NAIC designation that does not rely directly on ARO ratings, a more granular assessment consistent with the designation approach is not currently available. ¶
Guidance Note: The Purposes and Procedures Manual of the NAIC Investment Analysis Office (P&P Manual), which establishes the rules for setting NAIC designations, underwent significant change during 2009–2010, particularly in the area of assessing the credit risk of structured securities. The NAIC Valuation of Securities (E) Task Force implemented an interim solution in 2009 to set designations for non-agency RMBS based on modeling by a third-party firm. The Task Force is developing a long-term solution for these and other structured ... [1]

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private placements and preferred stocks.

Deleted: Discussions at the NAIC during 2009–2010, particularly at the Valuation of Securities (E) Task Force, focused on the observation that similarly rated assets of different types may have similar likelihood of default or loss of principal but may have a significantly different distribution of the severity of that loss. Discussions have particularly focused on the different drivers of severity between structured securities and corporate bonds. As a result, the Valuation of Securities (E) Task Force has been developing updated methods to assign NAIC designations for C-1 RBC purposes for structured securities in order to better take into account these differences. The VM-20 procedure to assign a PBR credit rating has been structured so that in the cases where the Task Force decides to go away from directly using the ratings of approved ratings organizations, the PBR credit rating will be based on the NAIC designation rather than underlying ratings. Where the Task Force continues to authorize use of underlying ratings, the PBR credit rating also will be based on those ratings. However, VM-20 uses the underlying ratings to assign the PBR credit rating in a somewhat different manner.

VM-20 Appendix 2, end of section A.4

Among tables produced by the NAIC and published on the NAIC website or available upon request (See Section H):

a. Table A shows baseline default costs using Moody's data.
b. Table B shows the baseline default cost margin (Table A rates minus the historical mean rates).

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VM-20 Appendix 2, end of section B.8

Among tables produced by the NAIC and available upon request (See Section H):

a. Table C shows empirical CTE 70 default rates from Moody's.
b. Table D shows prescribed cumulative default rates derived from Moody's data.

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VM-20 Appendix 2, end of section C.3

Among tables produced by the NAIC and available upon request (See Section H):

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a. Table E1 shows a sorted version of "Exhibit 22 – Annual Average Defaulted Bond and Loan Recovery Rates, 1982–2007," and develops the CTE 70 recovery rates and the implied margin.
   Table E1 develops mean and CTE 70 recovery rates for all bonds, as well as for senior bank loans and five bond lien position categories that make up the All Bonds statistics. Implementation will be facilitated if VM-20 uses one recovery rate based on All Bonds rather than using all six lien position categories. Using the more detailed data would require either companies or the SVO to assign each asset to one of the categories.
   Table E1 also illustrates that bonds that are more senior in the issuer's capital structure tend to have higher recovery rates than bonds that are subordinated.
b. Table E2 shows the final recovery rates that vary by PBR credit rating. This table was determined by assuming CTE 70 applies for Ba3/BB- and below, mean applies for Baa1/BBB+ and above, and interpolated recovery rates apply for ratings that are between Ba3/BB- and Baa1/BBB+. This approach recognizes that investment grade bonds are more likely to be senior in the issuer's capital structure, and below investment-grade bonds are more likely to be subordinated. Differentiating by actual seniority position of each bond was not considered practical. In addition, because recovery rates and default rates are not 100% correlated and the cumulative default rates were set at CTE 70, use of the mean recovery rate, at least for the higher-quality bonds, helps to avoid overly conservative prescribed default costs for those bonds.

VM-20 Appendix 2, Section H

Current and historical versions of Tables A, F, G, H, I, and J used for calculating asset default costs and asset spreads are available on the NAIC website home page (www.naic.org) under the Industry tab of the website in the Principle-Based Reserving Overview section. Tables B through E which document interim steps calculating these factors are available upon request.

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March 6, 2026

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 Feb. 11, 2026, in joint session with the Life Risk-Based Capital (E) Working Group, to discuss comments that were received on the re-exposure of the proposed changes to the C-3 Phase I/C-3 Phase II framework as well as discussing an updated proposal for the framework. The Working Group and VACR SG also discussed comments that were received on the exposure of the proposed scope clarification of variable annuity contracts in the payout phase (APF 2025-14 and RBC Proposal Form 2025-17-L) as well as discussing an updated proposal for APF 2025-14.

The updated proposals for both the C-3 Phase I/C-3 Phase II framework and APF 2025-14 were re-exposed for a 23-day public comment period ending Mar. 6, 2026. They were re-exposed with the intention to discuss comments at the upcoming Working Group session at the NAIC's Spring National Meeting. The exposure period has been extended to Mar. 10, 2026. Additionally, the Working Group and VACR SG adopted the minutes from Oct. 31, 2025 joint call.

Draft: 3/2/26

Life Risk-Based Capital (E) Working Group
and Variable Annuities Capital and Reserve (E/A) Subgroup
Virtual Meeting
February 11, 2026

The Life Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task met Feb. 11, 2026, in joint session with the Variable Annuities Capital and Reserve (E/A) Subgroup of the Life Risk-Based Capital (E) Working Group and Life Actuarial (A) Task Force. The following Working Group members participated: Ben Slutsker, Chair (MN); Philip Barlow, Vice Chair (DC); Sheila Travis (AL); Shaowei Yang (CA); Wanchin Chou (CT); Hannah Howard (FL); Mike Yanacheak (IA); Matt Cheung (IL); William Leung (MO); Michael Muldoon (NE); Jennifer Li (NH); Seong-min Eom (NJ); William B. Carmello (NY); Rachel Hemphill (TX); and Tomasz Serbinowski (UT). The following Subgroup members participated: Peter Weber, Chair (OH); Matt Cheung, Vice Chair (IL); Shaowei Yang (CA); Philip Barlow (DC); Ben Slutsker (MN); William Leung (MO); Seong-min Eom (NJ); William B. Carmello (NY); and Rachel Hemphill (TX).

1. Adopted Their Oct. 31, 2025, Joint Minutes

Slutsker stated that the Working Group and Subgroup met Oct. 31, 2025, in joint session.

Hemphill made a motion, seconded by Leung, to adopt the Working Group and Subgroup's Oct. 31 joint minutes. The motion passed unanimously.

2. Discussed Comments Received from the Academy

Rick Hayes (American Academy of Actuaries—Academy) spoke to the Academy's comment letter. He said the comment letter consolidated observations and comments from the Academy's Variable Annuity Reserves and Capital Subcommittee and C-3 Subcommittee. Their comments on voluntary reserves align with their prior comments that, if established using sound, rigorous actuarial analysis, they can be included. The comment letter provides various examples in terms of thresholds for voluntary reserves.

3. Discussed Comments Received from the ACLI

Brian Bayerle (American Council of Life Insurers—ACLI) spoke to the ACLI's comment letter. He said that his remarks would anticipate the intended re-exposure of the updated proposal for the risk-based capital (RBC) C3PI and C3PII framework. Bayerle said the ACLI appreciates the reflection of the conditional tail expectation (CTE) 98 with a 25% scalar in the C3PII framework. He said that it is important to maintain this stability for now and to possibly look at alternative metrics. The ACLI recommended considering CTE 95, and regulators expressed interest in considering CTE 90.

Bayerle stated that, regarding the C3PI framework, the ACLI also appreciates using non-prescribed scenario generators. He said the ACLI would appreciate hearing regulators' thoughts and concerns on the net asset earned rate (NAER) discounting methodology. He said it is appropriate to have an alternative approach for discounting in addition to the one-year treasury rate approach that is currently used. He also said it might be appropriate to reflect on how voluntary reserves are treated in the framework.

4. Discussed Comments Received from the CAI

Daren Moreira (Eversheds Sutherland LLP) spoke on behalf of the Committee of Annuity Insurers (CAI) and noted its comments. He said the CAI echoes the ACLI's comments.

5. Re-Exposed the Updated Proposal for both C3PI and C3PII Framework

Cheung walked through the updated proposal for the C3PI framework, which is intended for re-exposure. He highlighted that the voluntary reserve is still a concern from a regulator's perspective, but it takes time to find the best way to address it. Therefore, the proposed changes to voluntary reserves in the prior exposure have been removed. He stated that regulators still support using the NAER for discounting, but need to think further before a final construct is determined. Therefore, this approach is not mentioned in the re-exposure draft. He also pointed out that the use of non-prescribed scenario generators is included as an option in the re-exposure draft.

Cheung then spoke about the updated proposal for the C3PII framework, which is also intended for re-exposure. He said that the previously proposed changes, as shown in the prior exposure, reverted to the CTE 98 construct that is currently used. However, regulators are interested in investigating other metrics to address some of their concerns. He also mentioned that the proposed removal of C-3 RBC amount smoothing is to be kept in the draft that will be re-exposed.

Weber asked whether companies would provide regulators with information on other metrics, such as CTE 90 and CTE 95. Bayerle said that the ACLI would be happy to work with the regulators on this approach.

Michael Cebula (New York State Department of Financial Services—NYDFS) questioned the reasonableness of using the less conservative CTE 98 with the scalar approach that is to be re-exposed, as opposed to CTE 90, which was proposed in the prior exposure of C3PII.

Cheung said CTE 90 is an important metric for companies that are not highly capitalized. He said the CTE 98 construct is not a prevalent concern for companies that report well in excess of the minimum RBC requirement. However, regulators strongly feel that they need to address certain situations when the RBC held by companies becomes less than expected from an overall construct perspective.

Slutsker asked the Working Group and Subgroup to consider re-exposing the updated proposal for the C3PI and C3PII framework with a drafting note welcoming comments on not permitting discounting at the NAER in C3PI for a 23-day public comment period.

Barlow made a motion, seconded by Yanacheak, to expose the updated proposal with a stipulation for a 23-day public comment period ending March 6. The motion passed unanimously.

6. Discussed Comments Received from the ACLI on APF 2025-14 and RBC Proposal Form 2025-17-L

Bayerle spoke to the ACLI's comment letter regarding amendment proposal form (APF) 2025-14 and RBC proposal form 2025-17-L. He said the ACLI wants to ensure that the proposed scope clarification language will align with other sections of the *Valuation Manual*.

7. Re-Exposed APF 2025-14

Cheung walked through the updated proposal for scope clarification of variable annuity (VA) contracts in the payout phase, which is intended for re-exposure.

The first edit was made so that VA contracts in the payout phase that are currently reserved under Valuation Manual (VM)-21: Requirements for Principle-Based Reserves for Variable Annuities will not be affected by the proposed scope clarification. The second edit was made in response to the ACLI's comments. As proposed in the re-exposure draft, language was added to VM-V: Statutory Maximum Valuation Interest Rates for Formulaic Reserves. However, Cheung noted that he would remove "elected to be" from the proposed language before the draft is re-exposed. Remaining edits were made to revise the section reference in the guidance note.

Barlow asked whether the Working Group and Subgroup can opt to adopt the updated proposal with minor changes without an exposure before sending the proposal to the Life Actuarial (A) Task Force, which will expose it before final adoption.

Cheung said that VA contracts in the payout phase will be subject to VM-V due to the proposed scope clarification. As a result, they can use a higher discount rate for reserving. He asked whether the proposal is significant enough to warrant exposure. Weber said there is time for exposure.

Leung made a motion, seconded by Barlow, to expose the updated proposal for the scope clarification of VA contracts in the payout phase for a 23-day public comment period ending March 6. The motion passed unanimously.

Having no further business, the Life Risk-Based Capital (E) Working Group and Variable Annuities Capital and Reserve (E/A) Subgroup adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/A CMTE/LATF/2026-1 Spring/VACR SG/02 11 Joint LRBC WG VACR SG/0211 Joint LRBC VACR Minutes.docx

March 5, 2026

From: Seong-min Eom, Chair
The Longevity Risk (E/A) Subgroup

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

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

The Longevity Risk (E/A) Subgroup met February 9th to adopt prior meeting minutes and consider which of the various longevity reinsurance C-2 capital calculation proposals to move forward with. The Subgroup exposed Longevity Reinsurance C-2 Longevity Risk Capital Proposal 2026-07-L for a 35-day comment period ending March 26th. This proposal recommends a principle-based approach to calculate longevity risk capital for the longevity reinsurance product. The longevity reinsurance product was excluded from the application of the current C-2 longevity risk factors. The Subgroup plans to meet following spring national meeting to discuss comments and consider the proposal for Subgroup adoption and move the proposal to the LRBC Working Group for exposure and consideration for adoption for year-end 2026 reporting.

Draft: 3/5/26

Longevity Risk (E/A) Subgroup
Virtual Meeting
February 9, 2026

The Longevity Risk (E/A) Subgroup of the Life Risk-Based Capital (E) Working Group and Life Actuarial (A) Task Force met Feb. 9, 2026. The following Subgroup members participated: Seong-min Eom, Chair (NJ); Tomasz Serbinowski, Vice-Chair (UT); Lei Rao-Knight (CT); Mike Yanacheak (IA); Ben Slutsker (MN); William B. Carmello (NY); Peter Weber (OH); and Rachel Hemphill (TX).

1. Adopted its Minutes

Slutsker made a motion, seconded by Weber, to adopt the Subgroup's Nov. 19, 2025, and Oct. 9, 2025, minutes (*see NAIC Proceedings – Fall 2025, Life Actuarial (A) Task Force, Attachments Eleven and Twelve*). The motion passed unanimously.

2. Discussed Proposals of Changes to LR025-A for Longevity-Reinsurance 2026

Eom introduced comments received on approaches to address C-2 longevity risk for longevity reinsurance transaction (LRT) contracts (Attachment Seven-A). Eom reminded the Subgroup that under *Valuation Manual* (VM)-22, Requirements for Principal-Based Reserves for Non-Variable Annuities, the reserves starting in 2026 are the present value of liabilities less the present value of future premiums and fees, floored at 2% of the immediate 12 months benefits. She noted that this reserve floor was adopted because, otherwise, the reserve would be negative or floored at a zero for a long time. She said the goal of the proposal for year-end 2026 is to implement a more appropriate structure for C-2 longevity risk for LRT, considering 1) there is no current C-2 capital for LRT business, and 2) reserves are set in VM-22 principal-based reserves (PBR) for the first time, effective for 2026.

Linda Lankowski (American Academy of Actuaries—Academy) stated that the Academy prefers principal-based approaches as proposed by the Academy and the American Council of Life Insurers (ACLI) rather than the simpler approach proposed by New Jersey. She said the bracketed amounts for the shocks to the mortality trend and mortality level in the Academy proposal would be appropriate until there is a reason to change them. These shocks were originally developed by an Academy group from 2017 to 2020 for pension-risk transfer, single premium, group annuity, and style transactions. She said the Academy group has not recently updated or performed new modeling to assess if the exact same numbers would be proposed today. She said that, given the implementation timeline, the long-term goal would be to revisit these shocks to assess whether a change is appropriate.

Brian Bayerle (ACLI) said the ACLI recommends its proposal. The ACLI approach uses the existing C-2b break points and factors and applies those to the floating part of the cash flows associated with LRT. The floating part of the cash flows is what would be used for the statement value in LR025-A. He said applying the existing breakpoints to the present value of benefits is appropriate because the existing C-2 factors were developed for that purpose. He said that, to the extent fixed cash flows were not already reflected elsewhere in the reserve framework, that would be a credit to the company to offset that charge. He said the ACLI supports a principle-based approach for a long-term solution. However, the ACLI is open to the New Jersey approach as a short-term solution if the existing C-2 breakpoints are used. He said that, regardless of which approach, sticking to the current break points for now makes sense, and working toward updating them as indicated by additional analysis.

Eom said that both the Academy's and the ACLI's approaches measure long-term longevity risk. She noted that the New Jersey proposal implicitly addresses long-term longevity risk. Under the New Jersey proposal, companies will receive credits for future fees from using the immediate 12-month benefits multiplied by the C-2 factor. The approach implicitly assumes that future fees will substantially cover the longevity risk. She said that for the New Jersey proposal, the longer-term project would require analysis to determine if new factors and breakpoints are appropriate.

Lankowski said that the break points proposed by New Jersey were not calibrated to the next 12 months' benefits amount. The Academy was unable to comment on the appropriateness of those breakpoints. She said further analysis would be needed to understand the appropriateness. She suggested the Subgroup consider delaying implementation rather than rushing into a non-principle-based approach, given that the analysis needed to assess appropriateness is not feasible within the 2026 implementation timeline.

Serbinowski said he was concerned that the New Jersey proposal would result in risk-based capital (RBC) charges that are too low when experience is worse than anticipated and too high when experience is better than anticipated. He said the New Jersey approach does not adequately accommodate the future premiums of the fixed leg of the arrangements. The proposal reflects the expected benefits based on the current expectations. If experience is worse than expected, the company may need to maintain significant reserves, and RBC will need to apply appropriate shocks to the expected longevity/mortality trend.

Eom said that because of the heavy reliance on future fees, even if adverse, the C-2 capital would be zero, since future fees are considered to have no assets. Eom also noted that the fees are not defined by the product design, but rather are developed and structured in accordance with the two parties' agreement. She said if the capital amount is based on the ACLI or Academy proposals, which rely heavily upon the future fee schedule, then companies could have an incentive to design the fee schedule to keep the capital at zero.

Rao-Knight noted that there is currently no C-2 charge for these longevity reinsurance products. VM-22 was adopted and is a principle-based approach for reserves. RBC should be consistent with that approach to reflect a more refined modeling approach in the RBC C-2 framework. She said refining the factors and mortality shocks will require work, and the New Jersey approach at least reflects that some longevity risk of this product would be an improvement over the current requirements.

Serbinowski said he had concerns about using the current C-2 factors for the New Jersey approach because they were developed to apply to the present value of benefits, not the 12 months of benefits indicated in the New Jersey proposal. He said it may be inappropriate to apply the current C-2 to a metric other than the present value of benefits.

Kory Olsen (Pacific Life Insurance Company) said the company is providing feedback as a participant in this market. He said previous RBC work incorporated both short- and long-term mortality stresses. Olsen said LRT has a guaranteed stream of future premiums, unlike other longevity products. He stated that Pacific Life supports the ACLI proposal because it leverages the existing RBC factors in a manner consistent with their development and reflects future guaranteed premiums.

Eom presented a comparison of the three proposals and noted her concerns with components of the proposals (Attachment Seven-B). Eom said she is concerned that the Academy and ACLI proposals could result in zero capital for many years. Under the ACLI proposal, zero capital could result because, under LRT, the two parties agree on expenses and fees, which could incentivize adjustments to keep capital low. The Academy proposal could have a similar zero capital result because, in the total asset return calculation, the statutory reserve amount is deducted and floored at zero.

Eom said the graph in the proposal comparison demonstrates the impact of future fees on the capital amount. She said that the longevity reinsurance contracts in the data supporting the chart are a mix of different durations. The blue line represents the PBR reserve amount without the floor to show the impact the present value of future fees has in making the reserve negative. The yellow line represents a PBR reserve floored by 2% of the immediate 12-months benefit amount.

Hemphill suggested the Subgroup consider a flooring mechanism to address concerns stemming from subtracting the statutory reserves in the Academy proposal. She stated that C-3 Phase II has a flooring mechanism. She said using consistent flooring of the total asset requirement with the reserves could address these concerns for C-2. Eom and Slutsker agreed that this approach may address concerns with the Academy proposal. Slutsker said he would also like to see a principle-based approach. Lankowski stated the Academy could revisit the approach and work with Hemphill to address this.

Eom requested a straw poll to narrow the proposal options that the Subgroup preferred to advance. Members voted among the following options: 1) the Academy proposal, 2) the Academy proposal modified with Texas's suggestion to add a flooring mechanism, 3) the ACLI proposal, and 4) the New Jersey proposal for use in the short-term, with the long-term solution to further develop the Academy's principle-based proposal. Utah preferred option 1. Texas, Minnesota, Ohio, and Iowa preferred option 2. Connecticut and New York preferred option 4. Further Subgroup discussions resulted in Rao-Knight and Carmello stating they also supported moving forward with option 2. Utah abstained from the second round of discussion pending further development of option 2. The Subgroup asked the Academy to work with Hemphill to refine option 2 for a chair exposure prior to the Spring National Meeting. The Academy and Hemphill agreed to collaborate to incorporate a flooring mechanism.

Eom asked NAIC committee support about the next steps to get the recommendation to the Life Risk-Based Capital (E) Working Group. Amy Fitzpatrick (NAIC) said NAIC committee support will send the updated Academy recommendation in an RBC proposal form and a draft recommendation letter as a chair exposure.

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

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AMERICAN ACADEMY of ACTUARIES

February 2, 2026

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

Re: Questions on Longevity Reinsurance C2 Proposals

Dear Chair Eom:

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

The Task Force recommends a principle-based approach as outlined in our Dec. 15, 2025, comment letter. A principle-based approach should reflect the impact of longevity stresses to benefits over the entire projection period. The factors in New Jersey's proposal were intended to be applied to the present value (PV) of future benefits, rather than the next 12 months of scheduled benefits. It was not intended to apply the factors to a different metric.

Responses to NAIC Longevity Risk Subgroup December 19, 2025, Questions

- *Question 1 (which proposals are preferred between AAA, ACLI, and NJ?)*:
    - The Academy and ACLI approaches are preferred as they measure long-term longevity risk by applying longevity shocks to projected benefits and recognize all cash outflows and inflows for the transaction.
    - Academy and ACLI approaches are aligned and should lead to similar answers.

- *Question 2 (recommendation on break points):*
    - The break points in the current C-2 approach were calibrated to the PV of benefits and would not directly translate to a different metric; thus the breakpoints may be appropriate for the ACLI proposal, which is applied to the present value of benefits, but not the NJ proposal, which is applied to the next 12 months of scheduled benefits.
    - Break points were calibrated to U.S. payout annuities and would require additional analysis and possible recalibration for Longevity Risk Transfer business.

- *Question 3 (implementation timeline)*
    - When C-2 longevity charges were adopted in 2021, the Life Risk-Based Capital (E) Working Group made the decision to not include Longevity Reinsurance. The Task Force believes it might be more prudent to delay implementation until a more methodologically sound charge can be developed.

[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

- In the interest of expedience for a 2026 implementation of a C-2 longevity risk charge, the mortality stress parameters in the Academy's proposal reference the prior analysis and calibration from 2019. The mortality stress factors should be re-evaluated and recalibrated to determine whether updates are needed, which would likely extend the project beyond the May 15, 2026, deadline.

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

Marc Altschull
Senior Actuary
202-624-2089

Colin Masterson
Sr. Policy Analyst
202-624-2463

February 2, 2026

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

Re: The Fall 2025 Longevity Reinsurance C-2 Exposures

Dear Chair Eom:

The American Council of Life Insurers (ACLI) appreciates the opportunity provide feedback as it relates to the Subgroup's development of Life Risk-Based Capital (RBC) Longevity Risk C-2 factor(s) for longevity reinsurance business. We are also incredibly appreciative of the work done before, during, and after the 2025 NAIC Fall National Meeting where this issue was last publicly discussed including the exposure of a series of questions accompanying proposals made by our organization, the state of New Jersey, and the American Academy of Actuaries (the Academy). In line with the structure of the exposure questions document, ACLI has the following comments:

1. *Which of the two proposed approaches are preferred to apply to longevity reinsurance?*

   Our preference is towards the proposal put forward by ACLI with the New Jersey approach as an additional short-term option, provided that the latter's leveraging of the current C-2 factors, as they exist in the RBC framework, does not change. While this will be described in more detail in our response to Question #3, the desire of regulators and industry to have updates in place for year-end 2026 would necessitate avoiding major structural RBC changes and comprehensive analysis required to develop new factors. While there is always the possibility that this work can be reopened in the future, should the need arise, more time is needed than is currently available to perform the work of recalibrating the factors.

2. *The breakpoints in the proposed approaches from ACLI and New Jersey are based on the current LR025-A breakpoints proposed by the Academy in 2019 and adopted in 2020. Are these break points appropriate for longevity reinsurance contracts and should they be adjusted given the relatively small reserve associated with these contracts?*

   We do not have any objections to the continued use of the current break points given they are based on the 1Y benefits for the New Jersey approach and the PV of benefits from the ACLI approach.

3. *The structural changes to the RBC blanks, including adding columns/lines to the RBC Blanks need to be recommended to Life Risk-Based (E) Capital Working Group by March 1, 2026, in time to be effective for all in force business as of 2026 year-end. If corresponding changes to factors are also considered for 2026 adoption, would the timeline below be viable?*

   As we alluded to above, ACLI does not have any objections to the March 31st to May 15th timeline for structural changes to the RBC, so long as there are not any changes to the C-2 factor. Further calibration beyond the existing factors would be a challenge during that period, especially given the volume and magnitude of other efforts currently going on at the NAIC. To be completed in as holistic a manner as possible, this window would also likely not be sufficient enough time to identify, analyze, and possibly remedy a number of other technical questions that must be considered.

   One such issue that warrants explicit consideration is the treatment of reinsurance credit for ceding companies. The current proposals focus on the application of longevity C-2 to assuming entities but do not address whether, or how, longevity reinsurance is recognized as risk transfer for ceding companies. This consideration is relevant both for longevity reinsurance transactions (as defined in VM-22) and for the existing longevity C-2 charges applicable to Single Premium Immediate Annuities (SPIA) and Pension Risk Transfer (PRT) business.

   Ceded credit should be applied such that the longevity C-2 capital requirement resides with the entity that ultimately assumes the longevity risk. Capital relief should be applied consistent with the treatment of other RBC charges, in particular mortality C-2.

Thank you once again for the opportunity to provide feedback on this topic and we look forward to further discussion soon at the Subgroup or Life Actuarial (A) Task Force level.

Sincerely,

Colin Masterson

cc: Amy Fitzpatrick, NAIC

PACIFIC LIFE

KORY J. OLSEN, FSA, CERA, CFA, MAAA
Vice President & Appointed Actuary

February 2, 2026

Seong-min Eom
Chair, NAIC Longevity Risk (E/A) Subgroup
Attn: Amy Fitzpatrick (afitzpatrick@naic.org)

Re: C-2 Longevity Reinsurance Proposals & Questions Exposure (December 2025)

Dear Chair Eom,

Pacific Life would like to thank the Longevity Risk (E/A) Subgroup ("Subgroup") for the opportunity to comment on the proposals exposed following the 2025 NAIC Fall National Meeting to establish a framework for an RBC C-2 requirement for longevity reinsurance.

For nearly 160 years, Pacific Life has delivered on our purpose to provide Confidence for Generations to our members, customers, and distribution partners. We offer a wide range of life insurance, annuity, and employee benefit products to support individuals and families with their financial needs, along with a variety of investment products and services to individuals, businesses and pension plans. As a mutual company, our unique holding structure enables us to focus on our long-term goals to maximize policyholder value while ensuring that we remain committed to meeting the needs of our members for generations to come.

Background

The longevity reinsurance block of business has several notable characteristics to consider when establishing the appropriate level of capital.

First, longevity products, including longevity reinsurance, are impacted by both long-term risks (trend risk) and short-term risk (level or volatility risk). The original development of the C-2 longevity factors considered both trend risk and level or volatility risk by calibrating factors to long-term and short-term mortality stresses.

Second, the structure of these transactions includes a stream of future guaranteed premiums and reinsurance fees to the assuming entity. Because these cash inflows are contractually guaranteed, they provide a meaningful offset to potential variability in the long-term liability. These cash flows differentiate the block from traditional payout annuities or other contracts typically considered under the RBC framework for C2 longevity risk, where such guaranteed premium streams generally do not exist.

Considering these characteristics, we believe that the focus of establishing an RBC C-2 longevity charge should reflect a holistic view of longevity risk, considering both long-term and short-term risks on the business, as well as all significant cash flows of the contract.

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NAIC Exposure Questions

Below are our responses to the Subgroup's exposure questions following the discussion at the Life (A) Actuarial Task Force at the 2025 NAIC Fall National Meeting:

1) *Which of the two proposed approaches are preferred to apply to longevity reinsurance? (Academy, ACLI, New Jersey)*

We support the ACLI's proposed approach for several reasons:

- **Calibration Consistent with RBC Principles:**
The ACLI proposal leverages factors based on prior analytical work performed by the American Academy of Actuaries during the development of the original longevity C2 factors. The prior work includes calibration of the factors to the 95th percentile, consistent with RBC principles, and reflects both short-term (level) and long-term (trend) mortality stresses. Additionally, the factors were calibrated to statutory reserves, which for most products in scope of C-2 longevity risk are largely determined by the present value of future benefits ("PV Benefits"). For the longevity reinsurance block of business, we believe that PV Benefits serves as a reasonable substitute metric for the role that a statutory reserve plays for other longevity products.
- **Recognition of Guaranteed Future Cash Flows:**
We believe the ACLI proposal appropriately reflects the guaranteed future stream of premiums and reinsurance fees in the calculation of the C-2 risk charge. Because these cash flows are contractually guaranteed and not subject to change due to mortality experience, they should be reflected in determining a risk charge that aims to represent "surplus needed to provide for claims in excess of reserves", as referenced in the "Basis of Factors" section of RBC LR025-A instructions.
- **Balance between Principle and Expedience:**
By leveraging the existing structure and factors applicable for C-2 longevity risk, the ACLI's approach addresses both the mortality risks and provides a framework that can reasonably be adopted ahead of a year-end 2026 effective date.

2) *The breakpoints in the proposed approaches from ACLI and New Jersey are based on the current LR025-A breakpoints proposed by the Academy in 2019 and adopted in 2020. Are these break points appropriate for longevity reinsurance contracts and should they be adjusted given the relatively small reserve associated with these contracts?*

The existing breakpoints applicable to C-2 longevity risk are calibrated to statutory reserves. As noted in the response to Question 1, the PV Benefits from the longevity reinsurance block of business serves as a reasonable substitute metric for the role that a statutory reserve plays for other longevity products. We support the conclusion that the current breakpoints are reasonable for the implementation of a C-2 charge for longevity reinsurance based on PV Benefits.

3) The structural changes to the RBC blanks, including adding columns/lines to the RBC Blanks need to be recommended to Life Risk-Based (E) Capital Working Group by March 1, 2026 in time to be effective for all inforce business as of 2026 year-end. If corresponding changes to factors are also considered for 2026 adoption, would the timeline below be viable?

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"Any proposal that only affects the RBC instructions and/or factors must be exposed by the Life RBC (E) Working Group by May 15 and adopted by the Capital Adequacy (E) Task Force by June 30 of the effective year."

We believe the ACLI proposal represents the most practical solution for 2026 implementation. The limited amount of time between now and the May 15, 2026 deadline, by which a proposal would need to be finalized in order to be implemented by YE 2026, presents a significant challenge to conduct a robust recalibration based on a different metric.

Thank you again for the opportunity to comment. We appreciate the Subgroup's consideration of our comments and welcome continued dialogue as the Subgroup progresses toward a decision on a framework for an RBC C-2 risk charge for longevity reinsurance.

If you have any questions regarding this material, please feel free to contact me at (949) 219-7088 or Kory.Olsen@PacificLife.com.

Sincerely,

Kory J. Olsen, FSA, CERA, CFA, MAAA
Vice President & Appointed Actuary
Pacific Life Insurance Company

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VM22 RBC Framework

RBC C2 proposals Comparison

Summary of Proposals

- Work underway to determine the appropriate risk-based capital (RBC) “C-2” (longevity) charge for Longevity Reinsurance products (as defined by VM-22)
- Three key proposals are the New Jersey Department of Banking and Insurance (NJDOBI, the American Council of Life Insurers (ACLI) and the American Academy of Actuaries (Academy)
  1. NJ proposes to calculate RBC C2 by applying a factor (K) to the amount of the longevity benefits anticipated to be paid within the 12 months following the valuation date (same basis as used in calculating the floor for the PBR reserves)
  2. ACLI proposes to calculate RBC C2 by applying a factor (K) to the Present Value (PV) of Total Liabilities, offset by the Reserve Credit, where:
     - Liability projections incorporate applicable contractual fees and expense loads (in addition to premiums)
     - The Reserve Credit is the amount of the Basic Reserve “increase” due to PBR reserve flooring

     (for example if at duration 1 the Basic Reserve was calculated to be negative $70 and the reserve floor was positive $100, the duration 1 Reserve Credit under ACLI proposal becomes $170).

Summary of Proposals (cont.)

3. Academy proposes to calculate RBC C2 by using a total asset requirement (TAR) framework, where:
   a. Project future premiums & reinsurance fees*
   b. Project future benefits & expenses, under the following mortality scenarios:
      i. Baseline mortality assumptions used in statutory reserving
      ii. Mortality level shock: [0.7%] multiplicative (i.e., mortality rates should be multiplied by 99.3%)
      iii. Mortality improvement, or trend shock: [0.15%] additive in all years
   c. Calculate TAR as the present value of the future benefits & expenses, using the mortality shocks in (b) above, less the present value of premiums and fees in (a) above.
      i. C-2 charge forTAR0 = TAR at baseline = PV (Future Benefits & Expenses less Premiums & Reinsurance Fees).
      ii. TAR1 = TAR for mortality level shock = PV (Future Benefits & Expenses with Mortality Level shock, less Premiums & Reinsurance Fees).
      iii. TAR2 = TAR for mortality trend shock = PV (Future Benefits & Expenses with Mortality Trend shock, less Premiums & Reinsurance Fees)
      iv. The discount rate(s) used to calculate the present value shall be based on [the net asset earned rate (NAER) of SERT scenario 9 (baseline scenario) / applicable CARVM discount rate].
   d. Longevity Reinsurance = Max [(TAR0 + [(TAR1 – TAR0) ^2 + (TAR2 – TAR0)^ 2] ^0.5 – Statutory Reserve),0]

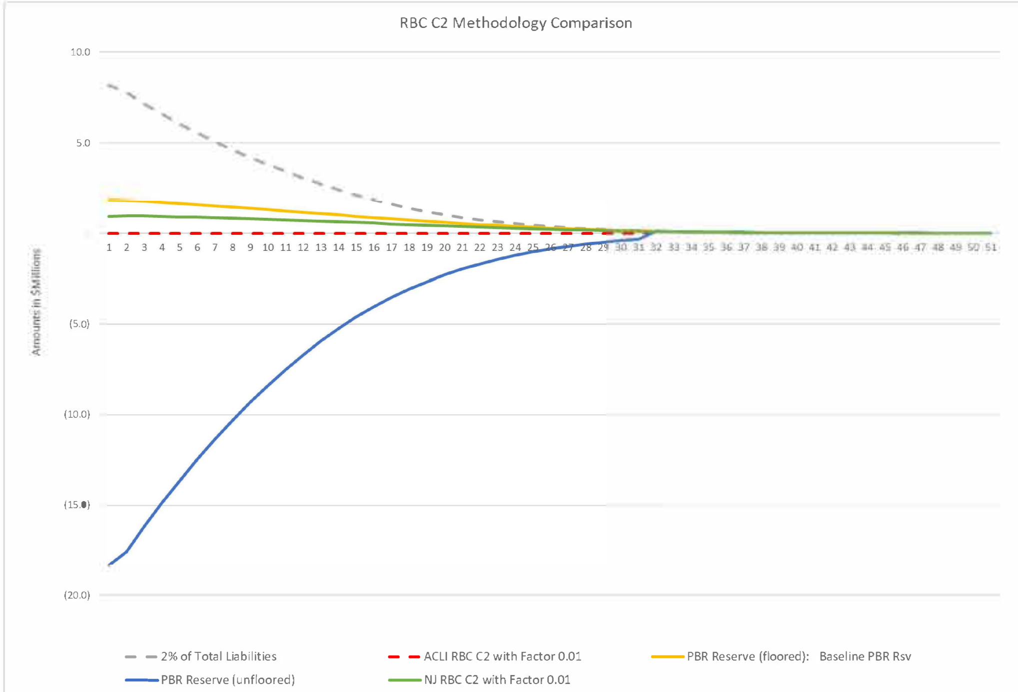
*For blocks that use a PBR reserve framework, the company's PBR model shall be used as the projection model. For blocks that do not use the PBR reserve framework, the company's cash flow testing model shall be used.

Rationale for NJ Proposal

- The ACLI proposes including expense loads and fees into the premium projections and provide credit in RBC C2 calculations for the negative reserves overridden by the flooring of the PBR reserves. Some of the shortcomings of this approach are discussed below:
  1. The RBC C2 development methodology proposed by ACLI may result in long periods (10 years+) of zero RBC C2 capital, despite the existence of tail risk.
  2. The expense loads and fees proposed to be included may not be flat, they may vary by duration (for example backloaded), which may extend the zero capital periods even further despite the risk not changing materially.
  3. Given the number of elements involved in the ACLI proposed RBC C2 calculation (reserve credit related to the PBR reserve flooring, expense loads and fees), some of which are subject to the company's design and structuring, capital levels held by companies with similar risk profiles could vary significantly.
- The Academy's proposal is very similar to ACLI's; the key distinction of the Academy's proposal is that while ACLI is proposing to approximate the TAR by using a (K) factor times Total Liabilities, the Academy is proposing to calculate the TAR directly, by shocking Mortality by a factor of 99.3% and a 0.15% increase in Mortality Improvement (MI). The specific shock parameters have not been calibrated yet.
- In contrast to ACLI and Academy proposals, NJ proposes tying RBC C2 only to the 12 months of upcoming longevity benefits, and therefore offers the following advantages over other methods:
  1. It will result in non-zero RBC C2 levels from day 1 of the longevity transaction, establishing at least some minimum capital to cover early adverse scenarios.
  2. Since the longevity benefits are pre-determined, the NJ RBC C2 calculations would not be subject to the "creative" designs (which may be used in structuring expense loads and fees with an objective of suppressing the capital calculations), and thus provide a framework with more intuitive results, and a more level playing field.
  3. The approach allows for easy adjustments (for example, to account for the Basic Reserve "increase" due to flooring if desired) by adjusting the RBC C2 factor applicable to the 12 months of the upcoming longevity benefits.

Comparison of Proposals

The graph shows the Longevity Risk C-2 Capital under ACLI and NJ proposals as well as Total Liabilities, PBR reserves before and after flooring.



Draft: 2/26/26

Experience Reporting (A) Subgroup
Virtual Meeting
February 17, 2026

The Experience Reporting (A) Subgroup of the Life Actuarial (A) Task Force met Feb. 17, 2026. The following Subgroup members participated: Fred Andersen, Chair (MN); Elaine Lam (CA); Wanchin Chou (CT); Seong-min Eom (NJ); Amanda Fenwick (NY); and Rachel Hemphill (TX).

1. Received an Update on APF 2024-12

Andersen provided a brief history of amendment proposal form (APF) 2024-12, which would require the mandatory reporting of group annuity business. The APF had been exposed at the Nov. 17, 2025, meeting of the Experience Reporting (A) Subgroup.

Angela McNabb (NAIC) walked through the comments received during the exposure and the various changes made to the APF.

- ***Valuation Manual* (VM)-51, Section 3.B.1—Scope of Business:** The previous language in this section regarding non-U.S. business was ambiguous as to whether it meant non-U.S. lives or business written by non-U.S. companies. The language was modified to specify business written by non-U.S. companies.
- **VM-51, Section 3.C:** An exemption from participation in the data collection was added for companies whose statutory group annuity reserves for in-scope business fall below $250 million. This threshold will be reviewed annually and is subject to change by the experience reporting agent.
- **VM-51, Appendix 5:** Added a paragraph stating that the experience reporting agent may make approximations for key fields that are left blank or are inconsistent with other data elements.

Hemphill asked how much of the industry would be eligible to participate in the data collection once the $250 exemption threshold was implemented. McNabb responded that companies with reserves above that threshold account for well in excess of 90% of the industry's in-scope reserves.

There was additional discussion about when to release a new exposure to ensure the APF is available for potential adoption at the NAIC Spring National Meeting. The decision was made to do a Life Actuarial (A) Task Force chair exposure for 21 days. If no additional changes are needed, the APF will be brought up for adoption by the Life Actuarial (A) Task Force at the Spring National Meeting.

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

SharePoint/NAIC Support Staff Hub/Committees/Committee Folders/A CMTE/LATF/2026-1-Spring/Experience Reporting SG/02 17/ERSG Minutes 20260217

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

GOES (E/A) Subgroup Report

Agenda

1. Background and Current Status
2. Documentation Enhancements
3. Statistical Report Enhancements
4. Incident Documentation and Remediation
5. GEMS® Software Version Update

Background and Current Status

Principle-Based Reserves – GOES Effective beginning 1/1/2026

- APF 2025-04 was adopted at the Joint Meeting of the Executive (EX) Committee and Plenary on August 13th.
- Companies are optionally allowed to elect a three-year phase-in of the reserve impact from GOES implementation.

Risk-Based Capital (RBC) – Plan is for GOES to be Effective YE 26

- Revisions to the RBC Instructions for C3 Phase I and C3 Phase II to effectuate GOES were exposed for public comment until March 10th.
- The revisions to the RBC instructions will be considered for adoption at the Life RBC (E) Working Group's session at the NAIC Spring National Meeting.

Documentation Enhancements

New Documentation:

- NAIC GOES Technical Documentation - Interest Rate Calibration Targets
- NAIC GOES Technical Documentation - Stochastic Exclusion Ratio Test Scenarios
- NAIC GOES Technical Documentation - Basic Data Set Layout

Updated Documentation:

- NAIC GOES Technical Documentation - Interest Rate Model
- NAIC GOES Technical Documentation - Scenario Selection Tool

Upcoming Documentation: Target Release Early April

- Basic Data Set Validation Report
- Revised Q&A
- GOES Parameters

Once each component of the GOES Documentation is complete, work will begin to compile into a single document.

3

Incident Documentation and Remediation

Model findings are tracked in the GOES Model Findings Inventory. Each model finding also gets an Incident Documentation and Remediation report that provides a description, root cause, resolution, illustration of impact, and any actions taken to prevent from occurring in the future.

Incident Documentation and Remediation Reports:

- 26001: Nov. 2025 SERT Scenario Corporate Bond Fund Price and Income Return Error
  - Resolution: Provided a corrected 11/25 SERT file and added month-over-month comparison to SERT review
- 26002: Basic_Data_Set_Additional_Statistics_20YYMMDD EAFE total return statistics calculation error
  - Resolution: Fixed code to generate statistics and re-released statistical reports

4

Statistical Report Enhancements

Basic Data Set Validation Report Enhancement:

Two new charts have been added to the Validation Report:

Average UST Yield Curve Progression

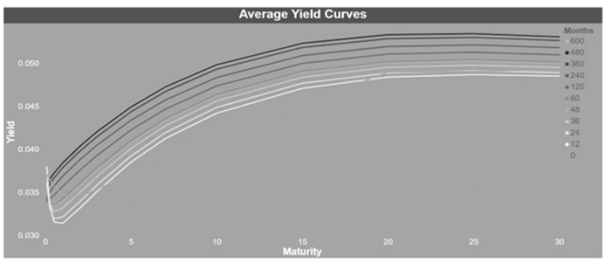
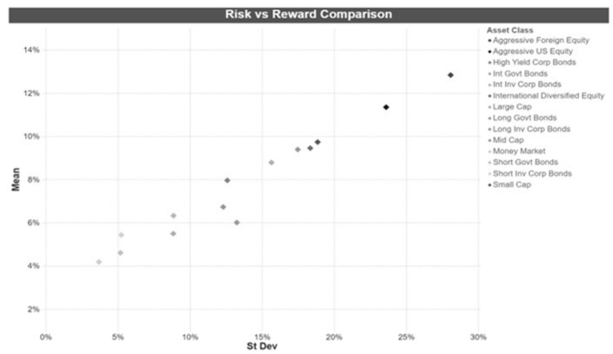


Table of Average Yields

Maturity	Month 0	Month 12	Month 24	Month 36	Month 48	Month 60	Month 120	Month 240	Month 360	Month 480	Month 600
0.08	0.0371	0.0379	0.0362	0.0357	0.0353	0.0347	0.0340	0.0342	0.0351	0.0357	0.0356
1.00	0.0346	0.0314	0.0321	0.0332	0.0339	0.0342	0.0357	0.0369	0.0378	0.0384	0.0384
5.00	0.0372	0.0385	0.0392	0.0401	0.0408	0.0410	0.0423	0.0434	0.0444	0.0449	0.0450
10.00	0.0419	0.0442	0.0449	0.0456	0.0462	0.0464	0.0474	0.0483	0.0493	0.0498	0.0499
20.00	0.0490	0.0484	0.0489	0.0495	0.0500	0.0502	0.0511	0.0519	0.0528	0.0533	0.0534
30.00	0.0492	0.0485	0.0489	0.0495	0.0500	0.0501	0.0510	0.0518	0.0526	0.0531	0.0531

Risk vs Reward Chart



GEMS® Software Version Update

Software Version Update:

- Conning routinely makes updates to its GEMS® software for enhancements and bug fixes.
- All clients have the option of running previous versions of the software.
- The GOES Model Governance Framework envisions the NAIC moving to the latest version of the software coinciding with the Annual Model Review and Update.

Software Version Update Validation (VI.B):

- 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.

2026 SPRING NATIONAL MEETING

GEMS® Software Version Update (cont.)

Streamlined SERT Scenario Generation Process

- Conning made an update to its GEMS® software to produce the 10,000 stochastic scenarios and the stochastic exclusion ratio rest (SERT) scenarios in a single model run.
- Conning and NAIC Staff recommend moving to a new software version help streamline the monthly scenario generation process from

Software Version Testing

- Testing by Conning has shown that there are no changes to stochastic or SERT scenario results.
- Demonstrations will be posted that there are no changes to the scenarios to https://naic.conning.com/documentation (10k subset comparison, SERT comparison, statistic file).
- 30 days will be provided for interested parties to comment. Afterwards, if the Chair of the GOES (E/A) Subgroup is satisfied, the monthly scenario process will move to the new software version.

7

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.

   Rachel Hemphill, TDI, Update reinvestment guardrail for VM-20, VM-21, and VM-22.

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:

   VM-20 Section 7.E.1.g, VM-21 Section 4. D.4.b, VM-22 Section 4.D.3.b

   Valuation Manual, January 1, 2026 Edition

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.)

VM-20 Section 7.E.1.g

g. Notwithstanding the above requirements, the modeled reserve shall be the higher of that produced by the modeled company investment strategy and that produced by substituting an alternative investment strategy in which the fixed income reinvestment assets have the same weighted average life (WAL) as the reinvestment assets in the modeled company investment strategy and are all public non-callable corporate bonds with gross asset spreads, asset default costs and investment expenses by projection year that are consistent with a credit quality blend of at least:
i. 5% Treasury
ii. 15% PBR credit rating 3 (Aa2/AA)
iii. 40% PBR credit rating 6 (A2/A)
iv. 40% PBR credit rating 9 (Baa2/BBB)

Deleted: a minimum credit quality blend of 50% PBR credit rating 6 (A2/A) and 50% PBR credit rating 3 (Aa2/AA).

VM-21 Section 4.D.4.b

b. Notwithstanding the above requirements, the SR shall be the higher of that produced by the modeled company investment strategy and that produced by substituting an alternative investment strategy in which the fixed income reinvestment assets have the same weighted average life (WAL) as the reinvestment assets in the modeled company investment strategy and are all public non-callable corporate bonds with gross asset spreads, asset default costs, and investment expenses by projection year that are consistent with a credit quality blend of at least:
i. 5% Treasury
ii. 15% PBR credit rating 3 (Aa2/AA)
iii. 40% PBR credit rating 6 (A2/A)
iv. 40% PBR credit rating 9 (Baa2/BBB)

Deleted: a minimum credit quality blend of 50% PBR credit rating 6 (A2/A) and 50% PBR credit rating 3 (Aa2/AA). ¶

VM-22 Section 4.D.3.b

Notwithstanding the above requirements, the aggregate reserve shall be the higher of that produced by the modeled company investment strategy and that produced by substituting an alternative investment strategy in which the fixed income reinvestment assets have the same weighted average life (WAL) as the reinvestment assets in the modeled company investment strategy and are all public non-callable corporate bonds with gross asset spreads, asset default costs, and investment expenses by projection year that are consistent with a credit quality blend of at least:
i. 5% Treasury
ii. 15% PBR credit rating 3 (Aa2/AA)
iii. 40% PBR credit rating 6 (A2/A)

Deleted: 80

iv. 40% PBR credit rating 9 (Baa2/BBB)

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

After adoption of a guardrail for VM-22 that was intended to be a compromise between the existing VM-20 and VM-21 guardrails and the Academy proposed guardrail of 5% Treasury, 15% PBR credit rating 3 (AA), 40% PBR credit rating 6 (A), and 40% PBR credit rating 9 (BBB), LATF planned to consider updating the guardrails for VM-20 and VM-21 to be consistent with the VM-22 guardrail. LATF members noted that they would not want to consider such a change without first reviewing impact testing. ACLI agreed to provide this impact testing. Since then, additional review has made clear that the compromise guardrail will not always give the intended compromise effect. As a result, I propose that LATF instead consider adopting the Academy guardrail for all of VM-20, VM-21, and VM-22. To address prior regulator concerns, I recommend that LATF not consider adoption of this proposal without reviewing impact testing of the updated proposal provided by ACLI. So, I am requesting the ACLI update the agreed-upon testing to now reflect the Academy guardrail for VM-20, VM-21, and VM-22. The initial exposure should be set to allow sufficient time for this testing to be completed.

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* 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
11/13/25	JR		
Notes:2025-16			

Reinvestment Guardrail Testing

Hans Avery, Actuary, ACLI

1

Agenda

- Guardrails Tested
- Scale of Testing
- Testing Results: VM-20, VM-21, PRT

2

Guardrails Tested

	VM-20/VM-21 Guardrail	VM-22 Guardrail	APF 2025-16 Guardrail
Treasuries		5%	5%
AA	50%	15%	15%
A	50%	80%	40%
BBB			40%

ACLI

3

Scale of Testing

- 6 companies tested PRT in 2025, before the NJ PRT proposal was introduced
- 13 companies tested APF 2025-16:
  - 10 companies contributed VM-20 results
  - 6 companies contributed VM-21 results
  - VM-22 testing is in progress

ACLI

4

APF 2025-16: VM-20

- NPR is binding for most companies
- Average decrease in reserve was 1.3%, range was 0.0-8.3% decrease
- Average decrease without NPR was 4.9%, range was 0.1-26.0% decrease
  - 26.0% is an outlier, next largest is 8.3%, average without outlier is 2.5%

5

APF 2025-16: VM-21

- Average decrease in SR was 0.1%, range was 0.4% decrease to 0.5% increase
  - One company saw an increase due to impact on projected borrowing costs
  - For other companies, SR decreased by 0.2% on average

6

APF 2025-16: PRT

- Tested the APF 2025-16 guardrail (Note: BBB proposal was not tested)
- Guardrail was binding for all 6 companies
- Average decrease in reserve was 0.2%, range was 0.1-0.3% decrease

7

APF 2025-16: VM-22

- Currently in progress, five contributions are expected by end of April
- VM-22 results are expected to be in line with PRT results (0.2% decrease)

8

Thank you!

Contact: Hans Avery
HansAvery@acli.com

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6. Consider Adoption of APF 2025-16

Rachel Hemphill (TX)

6.B. Hear Results of Model Office Testing

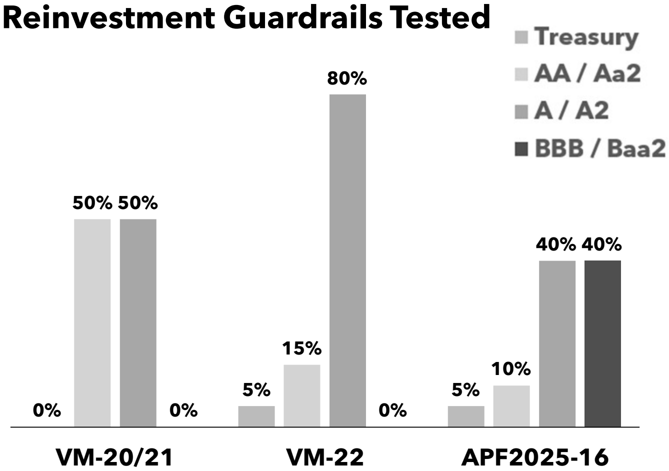
Scott O'Neal, FSA, MAAA
NAIC
March 26, 2026

Reinvestment Guardrails and Products Tested

Products Tested

- VM-20: Universal Life with Secondary Guarantee
- VM-21: Variable Annuities with GLBs as tested in GOES Field Test
- VM-22: Various accumulation and payout products as tested in 2024 VM-22 Field Test

Reinvestment Guardrails Tested



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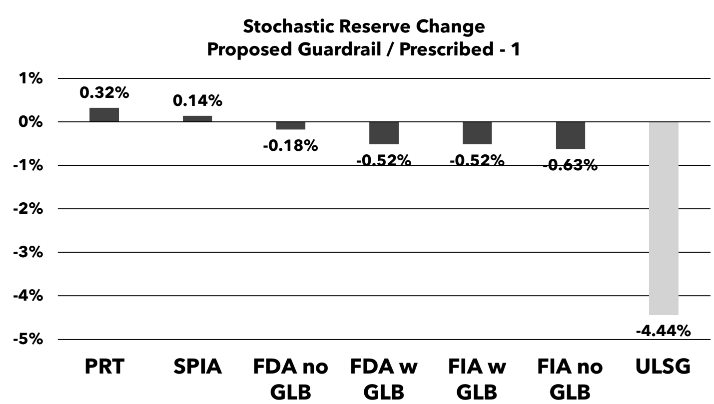
Stochastic Reserve Change by Reinvestment Guardrail

Prescribed for VM-20/21: 50% AA, 50% A
Prescribed for VM-22: 5% Treasury, 15% AA, 80% A
Proposed APF2025-16: 5% Treasury, 15% AA, 40% A, 40% BBB



- Three Variable Annuity archetypes (MSO, NSO, NWI) used in GOES model office testing were used to impact test the reinvestment guardrail proposal.
- Negligible change in SR (-.005%, -.002%).

*VM-22 source: Attachment #2, page 22 of **https://content.naic.org/sites/default/files/national_meeting/SupplementalMaterialsPacket_LATF_Fall2024.pdf**

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VM-20 ULSG Model Office

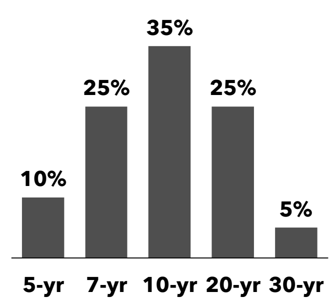
Reinvestment Guardrail Impact Testing Results

VM-20 ULSG Model Office Description

Model assumptions and product features were selected based on industry benchmarks to be a simplified representation of products currently offered

Projection model details

- Universal Life with shadow design lifetime secondary guarantee issued in 2020
- Valuation date 12/31/2023
- Time 0 reserves held in 50% 5-year BBB bonds and 50% 7-year BBB bonds
- Reinvestment strategy distributed across:
  - 5, 7, 10, 20, and 30-year bonds



VM-20 ULSG Model Office Description (cont.)

Model assumptions and product features were selected based on industry benchmarks to be a simplified representation of products currently offered

Best estimate assumptions	▪ Follows industry benchmark assumptions ▪ Mortality experience is 100% credible with 20 years of sufficient data ▪ UL crediting rate is dynamic and based on NAER less a spread, varying for each stochastic scenario
Prudent estimate assumptions	▪ VM-20 prescribed mortality margins based on credibility and sufficient data period ▪ Minimal lapse when policy maintained in-force by NLG (i.e. CSV = 0)

7

VM-20 Model Office Characteristics

ULSG Model

Universal Life with Secondary Guarantees (ULSG) model–long-duration product, larger potential for reserve reduction

- No reinsurance in the model
- Mortality

  2015 VBT Relative Risk Tables (ANB)
  - Preferred NS = RR80
  - Standard NS = RR100
  - Standard SM = RR100

  Company Mortality
  - High Band = 85% of RR Table
  - Low Band = 90% of RR Table

  Industry Mortality = 100% RR Table

Impact Testing

Issue Ages	Decennial issue ages 30-70
Gender	50/50 Male / Female
Risk Classes	Preferred Nonsmoker Standard Nonsmoker Smoker
Face Bands	Low ($250K) High ($1M)
Impact Measures	Stochastic Reserve by Reinvestment Strategy

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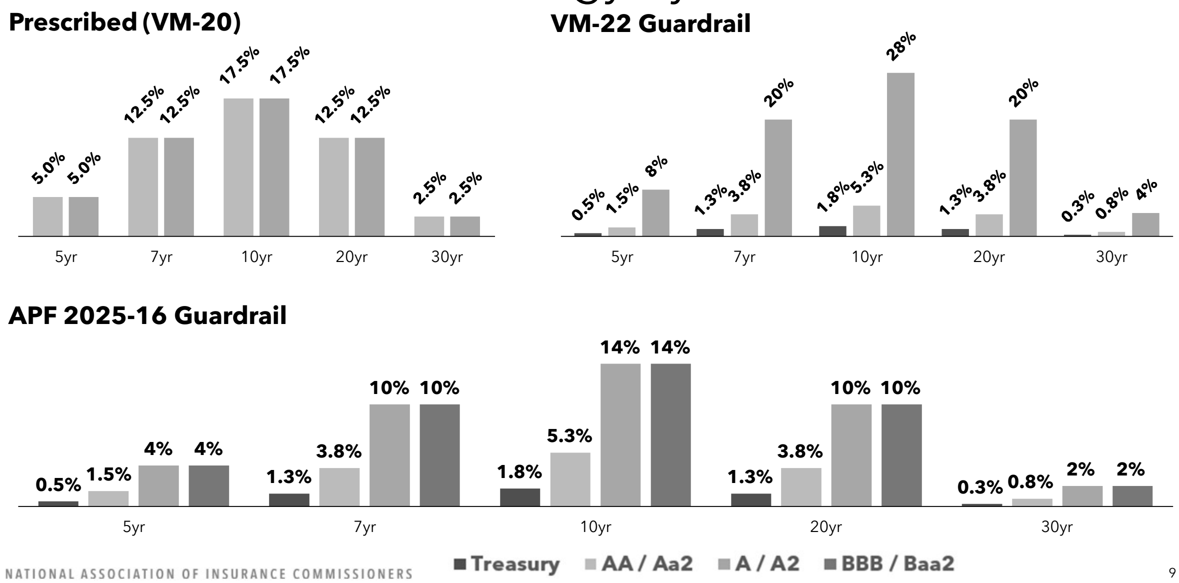
ULSG Reinvestment Strategy by Guardrail Tested



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ULSG Reinvestment Guardrail Impact Results

	Reinvestment Guardrail			% Change from VM-20	
Metric	**VM20 GR**	**VM22 GR**	**APF GR**	**VM22**	**APF**
SR	2,408,846	2,410,229	2,301,887	0.06%	**-4.44%**
DR	2,373,356	2,371,639	2,281,187	**-0.07%**	**-3.88%**
SERT Ratio	18.94%	18.93%	18.93%		

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VM-21 Variable Annuity Model Office

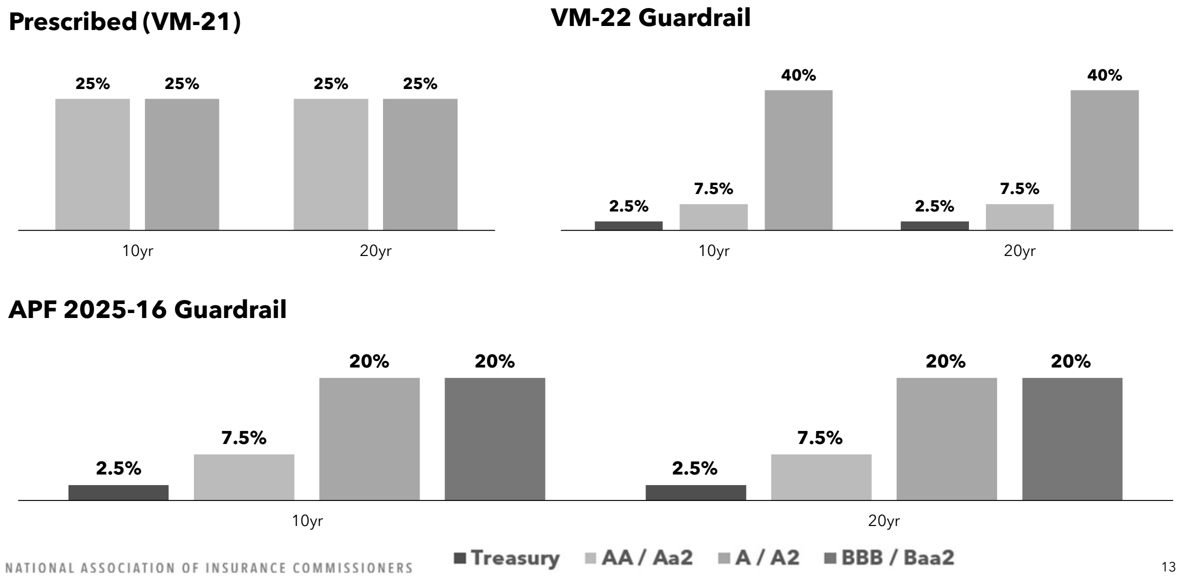
Reinvestment Guardrail Impact Testing Results

VA Archetypes Tested

1000 Scenarios from YE 2023 GOES Scenario Set. See Appendix for more model office details.

MSO	NSO	NWI
Mature: Issued 2007 with average age 75	**New**: Issued 2022 with average age 66	**New**: Issued 2022 and average age 66
Strong GMWB: 7% GMWB Rollup with income rates 5.5% - 7.0% based on attained age	**Strong** GMWB: 7% GMWB Rollup with income rates 5.5% - 7.0% based on attained age	**Weak** GMWB: 3% GMWB rollup rate with income rates 4.0% - 5.5% based on attained age
75% of GMWB contracts taking income	20% of GMWB contracts taking income	20% of GMWB contracts taking income
OTM: Benefit Base is 90%-100% of AV	**OTM**: Benefit Base is 90%-100% of AV	**ITM**: Benefit Base is 110%-140% of AV

VA Reinvestment Strategy by Guardrail Tested



VA Reinvestment Guardrail Impact Results

	Stochastic Reserve ($M)			% Change from VM-21	
Product	**VM20 GR**	**VM22 GR**	**APF GR**	**VM22**	**APF**
MSO	100.0	100.0	100.0	0.0002%	**-0.002%**
NSO	94.1	94.1	94.1	0.0001%	**-0.004%**
NWI	94.1	94.1	94.1	0.0002%	**-0.005%**

	TAR ($M)*			% Change from VM-21	
Product	**VM20 GR**	**VM22 GR**	**APF GR**	**VM22**	**APF**
MSO	100.2	100.2	100.1	0.001%	**-0.007%**
NSO	94.2	94.2	94.2	0.000%	**-0.013%**
NWI	94.4	94.4	94.4	0.001%	**-0.014%**

*TAR = Floored C3P2 + Floored VM21 Reserve

2026 SPRING NATIONAL MEETING NAIC

VA Reinvestment Guardrails Unfloored Impact Results

	Stochastic Reserve ($M) Unfloored			Compared to VM-21	
Product	**VM21**	**VM22**	**APF**	**VM-22**	**APF**
MSO	94.0	94.0	94.0	0.001%	0.006%
NSO	83.6	83.6	83.6	**-0.001%**	0.039%
NWI	87.4	87.4	87.5	**-0.001%**	0.049%

	Unfloored TAR ($M)*			Compared to VM-21	
Product	**VM21**	**VM22**	**APF**	**VM22**	**APF**
MSO	94.7	94.7	94.7	0.003%	**-0.001%**
NSO	84.7	84.7	84.7	**-0.000%**	0.019%
NWI	88.6	88.6	88.6	**-0.000%**	0.028%

*Unfloored TAR = Unfloored C3P2 + Unfloored VM21 Reserve

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VM-22 Non-variable Annuity Model Office

Reinvestment Guardrail Impact Testing Results

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Common Model Elements

- 50-year projection
- Direct iteration method (DIM) using 200 GOES scenarios from the 2024 VM-22 Field Test
- Maintenance expenses follow SPA requirements as of the VM-22 field test
- Additional detailed model office information are in the Appendix and in **VM-22 Field Test and Model Office Results**

Disclaimers:

- Changes made to VM-22 requirements (e.g. SPA assumptions) after the VM-22 Field Test are not reflected in these results.
- FIA model office results: cost of the FIA hedges was accounted for via a spreadsheet topside for each scenario. The model incorporates the payoffs of the hedges, but not the costs. The costs via topside, estimated as *option budget x AV /12* (since there are annual resets), which are reflected in the FIA results throughout this presentation. A system enhancement has been released from the vendor but is not reflected in these results.

VM-22 Portfolio by Product

Initial Bond Portfolio (A/AA)

Product	3YR	5YR	10YR	15YR
SPIA			**50%**	**50%**
PRT			**50%**	**50%**
FDA no GLB	**50%**	**50%**		
FDA with GLB			**50%**	**50%**
FIA no GLB	**50%**	**50%**		
FIA with GLB			**50%**	**50%**

Reinvestment Bonds

Product	3YR	10yr
SPIA		**X**
PRT		**X**
FDA no GLB	**X**	
FDA with GLB		**X**
FIA no GLB	**X**	
FIA with GLB		**X**

VM-22 Stochastic Reserve by Reinvestment Guardrail

- **VM-20/21**: 50% AA, 50% A
- **VM-22 (Prescribed)**: 5% Treasury, 15% AA, 80% A
- **APF2025-16 (Proposed)**: 5% Treasury, 15% AA, 40% A, 40% BBB

Product	VM-20/21 SR ($M)	Prescribed SR ($M)	Proposed SR ($M)	Proposed / VM20 - 1	Proposed / Prescribed - 1
SPIA	512.4	511.9	512.6	0.04%	0.14%
PRT	472.3	470.2	471.7	**-0.13%**	0.32%
FDA (no WB)	278.7	277.9	277.4	**-0.47%**	**-0.18%**
FDA (WB)	808.7	806.5	802.3	**-0.79%**	**-0.52%**
FIA (no WB)*	289.3	288.0	286.2	**-1.07%**	**-0.63%**
FIA (WB)*	846.9	844.3	839.9	**-0.83%**	**-0.52%**

Important disclaimer for the FIA model office results: the cost of the FIA hedges is currently accounted for via a spreadsheet topside for each scenario. The model currently incorporates the payoffs of the hedges, but not the costs. We have included the costs via topside, estimated as *option budget x AV /12* (since there are annual resets), which are reflected in the results above and throughout this presentation. A system enhancement has been released from the vendor but is not reflected in the results above.

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Appendix

VM-21 VA Model Office Description

Component	Description
Liability modeling	• Liability cash flows for model office comprised of the following product features: • Base variable annuity contract and a variety of GMxBs (GLWB, GMDB, GMIB) with typical features and charges • Modeled on a direct basis only (i.e., without reinsurance)
Asset modeling	• Guardrail VM-21 prescribed strategy: 10-year bonds with ratings A and AA consistent with the guardrail prescribed under VM-21
Calculations	• Outer loop cash flows under best estimate assumptions and input deterministic scenarios • Pre-tax asset and liability projections under input stochastic scenarios reflecting all cashflows under prudent best estimate and VM-21 prescribed assumptions • In force asset iteration at valuation date under input stochastic scenarios to achieve no GPVAD • Fair value of living benefit riders on annual timesteps to support implicit hedging approach

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VM-21 VA Model Office Description (cont.)

Component	Description
Assumption sets	• Best estimate • Prudent best estimate • VM-21 standard projection prescribed
Hedging	• Employs the "cost of reinsurance" method (i.e., implicit method) in the best efforts run, option cost is charged at time 0 and rider fees and claims are removed
Reporting	• Stochastic reserve (CTE70 pre-tax under adjusted and best efforts hedge) • Standard projection add-on under CTEPA method (CTE70 under prescribed in excess of SR, subject to CTE70 – CTE65 unfloored buffer) • C3 at 100% RBC (CTE98 pre-tax and subsequent calculations). Note: C3 will be unsmoothed
Other Characteristics	• Male/Female sex split: 50/50 • Qualified/Non-Qualified split: 65/35 • Equity allocation: 70%

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VM-22 FDA no GLB Model Office Description

Stochastic Reserve (SR)

- 2012 IAM mortality table with 0.5% mortality improvement applied from 2012 up until each future projection year
- Base lapses: 1%, 1%, 2%, 2%, 4%, 40%, 10% (ultimate rate)
- Dynamic lapses: Factor based on moneyness. Moneyness = Current Crediting Rate / Market Rate: If Moneyness <= 0.8, then Factor = 150%, if >= 1.2, then Factor = 50%. Factor is interpolated between these points.
- Maintenance expense $75 per contract multiplied by 1.025^ (valuation year – 2015) in the first projection year and increased by an annual inflation of 2% each year thereafter, plus 7bps of projected AV for each year in the projection
- Prudent margins for mortality, lapses, expenses

Product features

- Single premium at issue
- 5-year surrender charge period (9%, 8.5%, 7.5%, 5.5%, 4%), with MVA
- Free partial withdrawal of 10%
- 1% minimum guarantee crediting rate
- Crediting equal to 7-year treasury minus 50 bps spread
- Crediting is reset at end of CDSC and then annually thereafter
- Commissions 5% of year 1 premium
- Partial withdrawals
- No Annuitizations

In force distribution

- 1,200 policies (600 male, 600 female)
- 10 issue years of business (2014-2023), distributed equally across issue months and based on expected lapsation through valuation date
- Issue ages 45 (5%), 50 (15%), 55 (20%), 60 (30%), 65 (25%), 70 (5%)

** Assumptions based on VM-22 Specs , which reference VM-22 Draft – 2023 and VM-22 SPA – June 2024 Clean as used in the 2024 VM-22 Field Test.

VM-22 FDA with GLB Model Office Description

Stochastic Reserve (SR)

- 2012 IAM mortality table with 0.5% mortality improvement applied from 2012 up until each future projection year
- Base Lapses: 1%, 1, 2, 2, 2, 2, 3, 3, 4, 5, 10% (ultimate rate)
- Dynamic Lapses: Factor from 50% to 150% when AV > 0; Factor = 0% when AV = 0; Factor based on ITM, where ITM = PV of WB payments divided by CSV. If ITM <= 0.8, then Factor = 150%. If ITM >= 1.2, then Factor = 50%. Factor is interpolated between those two points.
- Maintenance expense of $75 per contract multiplied by 1.025^(valuation year – 2015) in the first projection year and increased by an annual inflation of 2% each year thereafter, plus 7bps of projected AV for each year in the projection
- Prudent margins for mortality, lapses, expenses
- Hedge modeling with 5% error

Product features

- Single premium at issue
- 10-year surrender charge period (9%, 8.5%, 7.5%, 6.5%, 5.5%, 4.5%, 3.5%, 3%, 2%, 1%), without MVA
- Free partial withdrawal of 10%
- 1% minimum guarantee crediting rate
- Crediting equal to 7-year treasury minus 50 bps spread; Crediting is reset at end of CDSC and then annually thereafter
- GLWB rider with fees equal to 75 bps of benefit base (BB)
- BB grows at 8% (simple interest) per year for 10 years or until withdrawals begin (whichever comes first)
- Commissions 5% of year 1 premium
- 0% Annuitizations
- Partial Withdrawals: assume policyholders withdraw 100% of the maximum withdrawal percentage; wait periods distributed by duration and attained age

In force distribution

- 1,200 policies (600 male, 600 female)
- 10 issue years of business (2014-2023), distributed equally across issue months and based on expected lapsation through valuation date
- Issue ages 50 (15%), 55 (25%), 60 (35%), 65 (20%), 70 (5%)

** Assumptions based on VM-22 Specs , which reference VM-22 Draft – 2023 and VM-22 SPA – June 2024 Clean as used in the 2024 VM-22 Field Test.

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VM-22 FIA no GLB Model Office Description

Stochastic Reserve (SR)

- 2012 IAM mortality table with 0.5% mortality improvement applied from 2012 up until each future projection year
- Base Lapses: 1%, 1, 2, 2, 4, 40, 10% (ultimate rate)
- Dynamic Lapses: Factor from 50% to 150% when AV > 0; Factor = 0% when AV = 0; Factor based on ITM, where ITM = PV of WB payments divided by CSV. If ITM <= 0.8, then Factor = 150%. If ITM >= 1.2, then Factor = 50%. Factor is interpolated between those two points.
- Maintenance expense of $75 per contract multiplied by 1.025^(valuation year – 2015) in the first projection year and increased by an annual inflation of 2% each year thereafter, plus 7bps of projected AV for each year in the projection
- Prudent margins for mortality, lapses, expenses
- Hedges on index credits, with 1% error
- Approximate dynamic hedge strategies for WB, with 5% error

Product Features

- Single premium
- 5 year surrender charge period (9%, 8.5, 7.5, 5.5, 4) with MVA
- 10% Free Partial Withdrawal
- Crediting is 1-year cap S&P 500 indexed account; initial option budget and spread set via market calibration at 12/31/2023; renewal terms equal to NER minus initial spread
- Commissions 5% per premium in year 1
- No annuitizations

In force Distribution

- 1440 FIA no GLB policies (720 male, 720 female)
- 10 issue years of business (2014-2023), distributed based on expected lapsation for years leading up through valuation date, and distributed equally across issue months
- Issue ages 45 (5%), 50 (15%), 55 (20%), 60 (30%), 65 (25%), 70 (5%)

** Assumptions based on VM-22 Specs , which reference VM-22 Draft – 2023 and VM-22 SPA – June 2024 Clean as used in the 2024 VM-22 Field Test.

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VM-22 FIA with GLB Model Office Description

Stochastic Reserve (SR)

- 2012 IAM mortality table with 0.5% mortality improvement applied from 2012 up until each future projection year
- Base Lapses: 1%, 1, 2, 2, 2, 2, 3, 3, 4, 5, 10% (ultimate rate)
- Dynamic Lapses: Factor from 50% to 150% when AV > 0; Factor = 0% when AV = 0; Factor based on ITM, where ITM = PV of WB payments divided by CSV. If ITM <= 0.8, then Factor = 150%. If ITM >= 1.2, then Factor = 50%. Factor is interpolated between those two points.
- Maintenance expense of $75 per contract multiplied by 1.025^(valuation year – 2015) in the first projection year and increased by an annual inflation of 2% each year thereafter, plus 7bps of projected AV for each year in the projection
- Prudent margins for mortality, lapses, expenses
- Hedges on index credits, with 1% error
- Approximate dynamic hedge strategies for WB, with 5% error

Product Features

- Single premium
- 10 year surrender charge period (9%, 8.5, 7.5, 6.5, 5.5, 4.5, 3.5, 3, 2, 1) with MVA
- 10% Free Partial Withdrawal
- Crediting is 1-year cap S&P 500 indexed account; initial option budget and spread set via market calibration at 12/31/2023; renewal terms equal to NER minus initial spread
- Commissions 5% per premium in year 1
- GLWB with fees equal to 75 bps of BB
- BB grows at 8% (compound) per year for 10 years or until withdrawals begin (whichever comes first)
- Maximum Annual Withdrawal Percentage 3.5% - 6% of GLWB BB varies by attained at age first withdrawal (45-79+)
- No annuitizations

In force Distribution

- 1200 Qualified (600 male, 600 female)
- 1200 Non-Qualified (600 male, 600 female)
- 10 issue years of business (2014-2023), distributed based on expected lapsation for years leading up through valuation date, and distributed equally across issue months
- Issue ages 50 (15%), 55 (25%), 60 (35%), 65 (20%), 70 (5%)

** Assumptions based on VM-22 Specs , which reference VM-22 Draft – 2023 and VM-22 SPA – June 2024 Clean as used in the 2024 VM-22 Field Test.

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VM-22 SPIA Model Office Description

Stochastic Reserve (SR)

- 2012 IAM mortality table with 0.5% mortality improvement applied from 2012 up until each future projection year
- Maintenance expense of $10 per contract with 2% annual inflation
- Prudent margins for mortality and expenses
- 0% Lapse
- No partial withdrawals
- No annuitizations

Product Features

- Single premium at issue
- 10 year certain payout annuity with life contingent payments thereafter
- No riders

In force Distribution

- 1,200 policies (600 male, 600 female)
- 10 issue years of business (2014-2023), distributed equally across issue months
- Issue ages 60 (10%), 65 (25%), 70 (35%), 75 (20%), 80 (10%)

** Assumptions based on VM-22 Specs , which reference VM-22 Draft – 2023 and VM-22 SPA – June 2024 Clean as used in the 2024 VM-22 Field Test.

VM-22 PRT Model Office Description

Stochastic Reserve (SR)

- 50/50 mix of blue and white collar mortality with no mortality improvement
- Maintenance expense of $61 per contract with 2% annual inflation and a 5% margin
- Prudent margins for mortality and expenses
- 200 scenario sets (via scenario picker) from GOES scenario set #1*
- No lapses, no partial withdrawals
- Annuitizations: Base case is all policies annuitize
- Reinvested into 10-year bonds using guardrail sensitivities

Product Features

- **Block 1: 80% retirees / 20% deferreds.** 75% of deferreds take a lump sum prior to retirement and 25% annuitize to proxy for a deal where the carrier writes the contract prior to the plan conducting a termination.
- **Block2: 90% retirees /10% deferreds.** 100% of the deferreds annuitize to proxy a deal where the carrier writes the contract AFTER the plan has already done a lump sum offering or a plan that doesn't offer lump sums at all
- **Block3: DIA / SS.** Younger age block of deferred income annuities and structured settlements with payments starting at specified age or duration

In force Distribution

- 3,600 policies (1,800 male, 1,800 female)
- 10 issue years of business (2014-2023), distributed equally across issue months
- Issue ages 50 (3%), 55 (2%), 60 (15%), 65 (20%), 70 (20%), 75 (20%), 80 (20%)

** Assumptions based on VM-22 Specs , which reference VM-22 Draft – 2023 and VM-22 SPA – June 2024 Clean as used in the 2024 VM-22 Field Test.

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Developments for New VBT

Valuation Basic Table Working Group
of the SOA Mortality and Longevity Oversight Advisory Council

MARCH | 2026

1

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2

Previously Agreed Upon Process for Evaluating When to Make VBT Table Updates

- When 2015 VBT was released, intent to consider updating the table every 5 years
- Developed methodology for analyzing the fit of the table to experience
  - Experience metrics
  - Confidence intervals, 1st and 2nd moments
- If experience suggest change, consider:
  - Factor-based changes
  - Select targeted adjustments
  - Full new table

Data suggests need for change

Work performed using the NAIC/ILEC data suggests there is a need for changes in the table at the younger and older ages and for female risks, suggesting a full new table is needed

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3

Analysis of Recent Historical Data Fit to 2015 VBT

- Only fully underwritten policies, durations 1-36*
- Measured tabular rates relative to the 2015 VBT and where within and outside the 95% confidence interval
  - Aggregated for each sex-tobacco-decennial age group
  - Grouped by duration, where necessary, to create full credibility

Mostly higher durations cells

Mostly early duration cells

Mostly Smoker and juvenile cells

	# Cells	% Cells	A/E	% of Face Amount
Above	41	29	108.3%	14.2%
Within	35	24	101.3%	15.7%
Below	56	39	84.4%	67.4%
Not Credible	11	8	104.9%	2.7%
Overall	143	100	90.7%	100%

All analysis signals a sloping issue and that a new table is best approach

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* Excludes experience for Substandard, Post level term, Term conversions, Joint lives, Unismoke and Unisex

4

11 Years In – Many things have changed

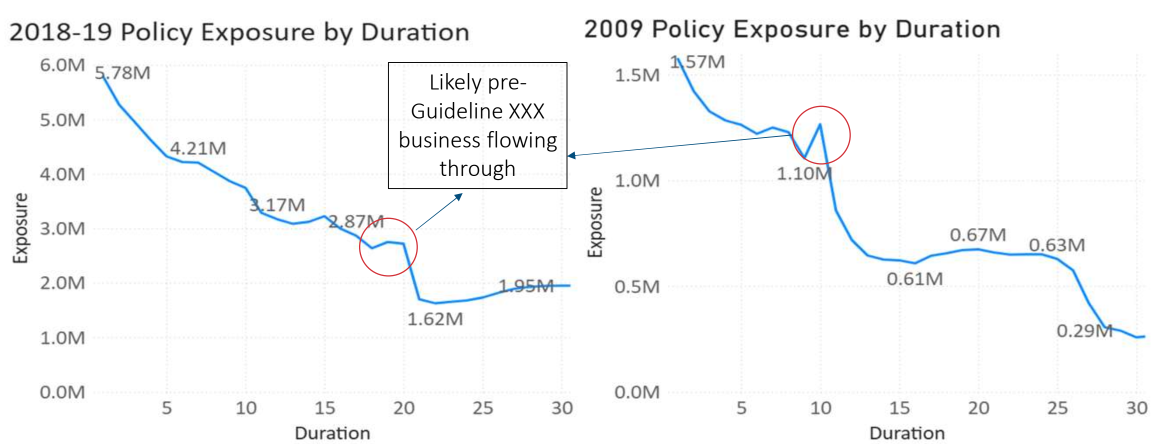
- Shift from voluntary contribution to VM-51 mandatory data collection
  - ➡ More consistent set of participants but different mix of business
- Different statistical agent and data collected
  - ➡ Focused on exposure years 2018-2019 (ignoring COVID years)

Data	Exposure		Actual Deaths	# Companies
	Count	Amount	Count	
2015 VBT (2002-2009)	266 M	$30.7 T	2.6M	51
2018-2019	125 M	$29.9 T	1.2M	107
Change	-53.0%	-2.6%	-53.8%	+56

Fewer but larger policies, fewer deaths

5

Exposure varies significantly with significant shift from duration 10 to duration 20



6

More recent experience shows very different pattern by duration and age group

A/E*^ 2018-2019 Exposure Years

Issue Ages	Duration Band	Average Issue Age	Average Duration	Exposure # (000s)	Actual Claims # (000s)	Wtd Average** Face Amount $ (000s)	A/E #	A/E $
0-17	1+	5.7	29.3	25,638	101	40	96%	109%
18-69	1-20	35.8	9.2	73,964	160	360	104%	80%
18-69	21+	24.4	37.6	47,630	989	50	105%	102%
70+	1+	73.5	9.0	957	49	379	105%	83%
All	1+	31.6	20.2	122,550	1,198	240	104%	87%

* E = 2015 VBT RR100, NS/SM/Unk Tables
^ Excludes post level term
** Weighted by policy count; averages weighted by policy amount are different and generally much higher, notably for issue age groups 18-69, durations 1-20 at $1,699k and 70+ at $5,031k

7

New VBT Table Development Focus and Process

1. Go forward table focus
2. Start with most recent ILEC experience and consider adjustments
3. Juvenile and older age adjustments
4. Select vs. ultimate period
5. ANB, ALB, Unismoke, Unisex adjustments
6. RR tables (# and relativity) including preferred wear-off pattern
7. Develop table(s), perform heuristic monotonicity checks
8. Model office testing
9. Determine if margins in CSO still sufficient
10. Valuation manual amendments, if needed

8

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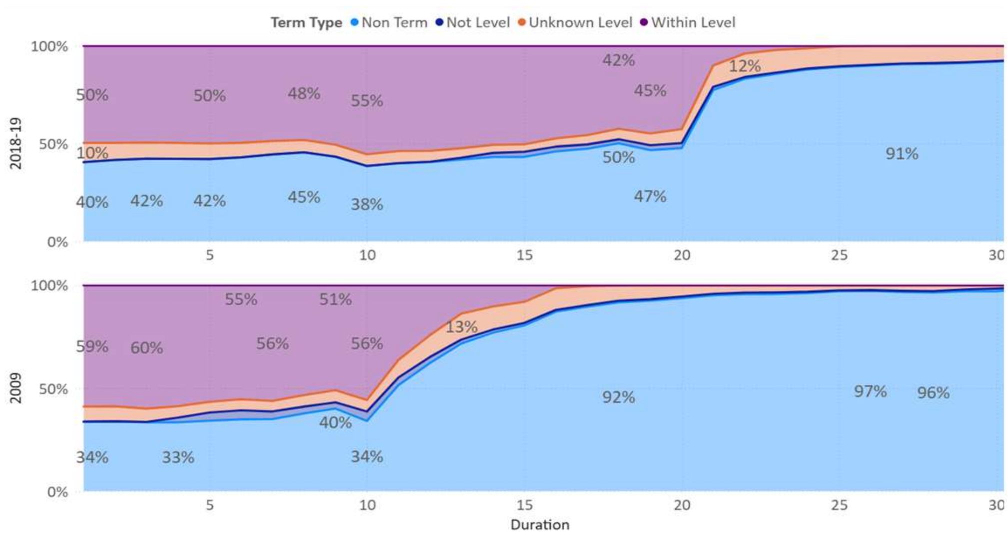
Mix of Business Has Changed Significantly Since 2009

9

9

Product mix has shifted to higher proportion of longer level term and significant difference in mix after duration 20

Policy Exposure by Duration and Term Type



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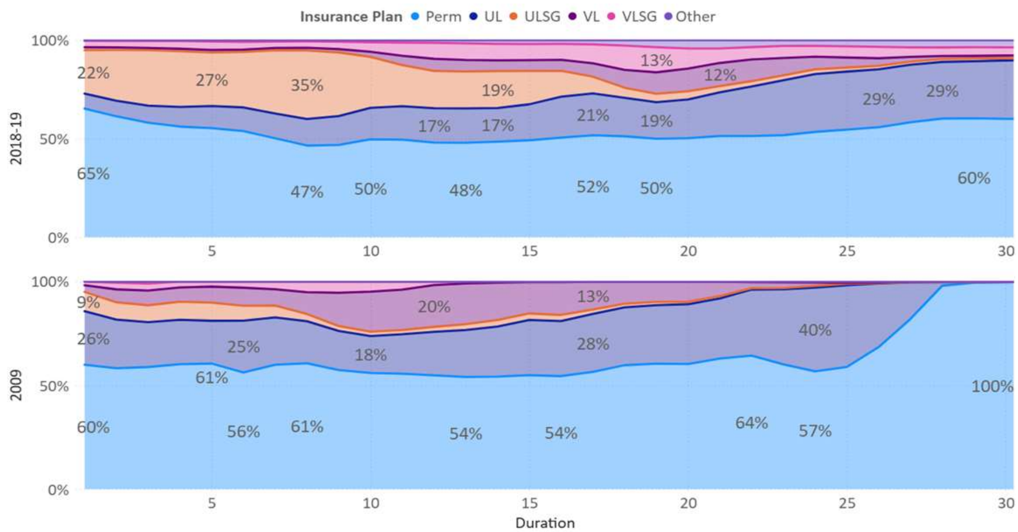
10

Non-Term: Shift away from Non-Guaranteed UL* to ULSG^ In Early Durations

Policy Exposure by Duration and Non-Term Plan

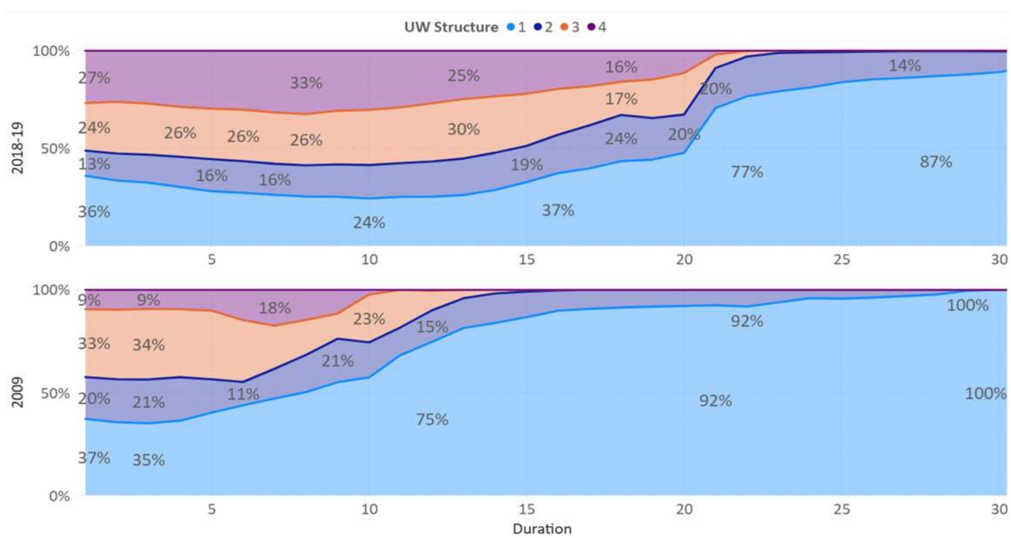


* UL includes IUL; ^ ULSG includes IULSG

11

All products: Shift in split by underwriting structure to much higher proportion with 3+ NS risk classes in all durations (up to 25)

Policy Exposure by Duration and Underwriting Structure*

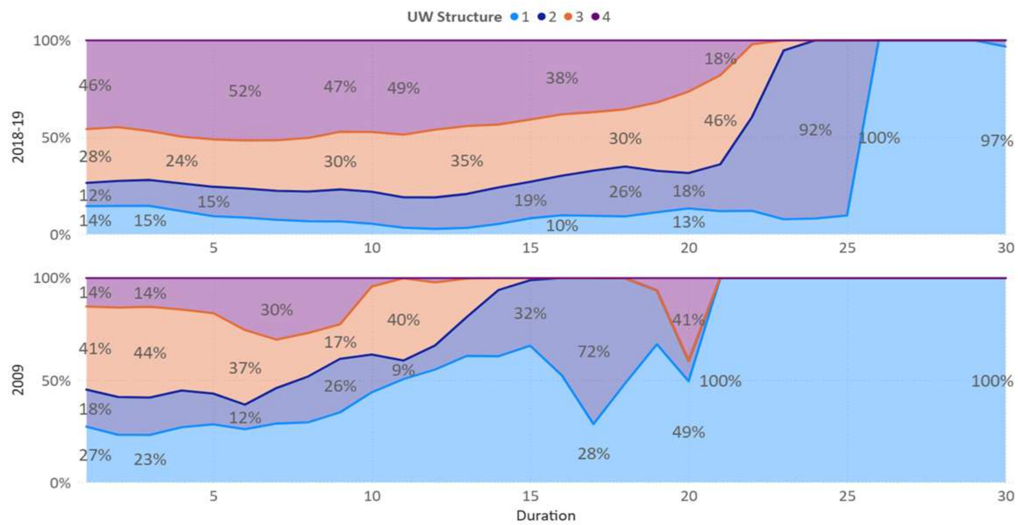


* As defined in VM-51 (e.g., 1/x, 2/x, etc. where x is the total number of NS classes)

12

Level Premium (Defined) Term: Significant Shift to 4NS Risk Class Structures, but Varies by Duration

Policy Exposure by Duration and Within Term Underwriting Structure



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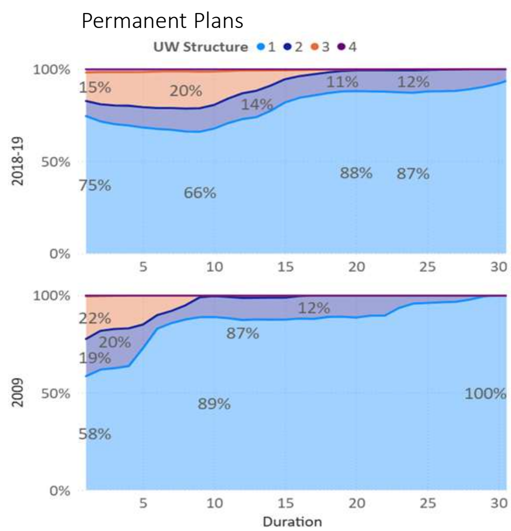
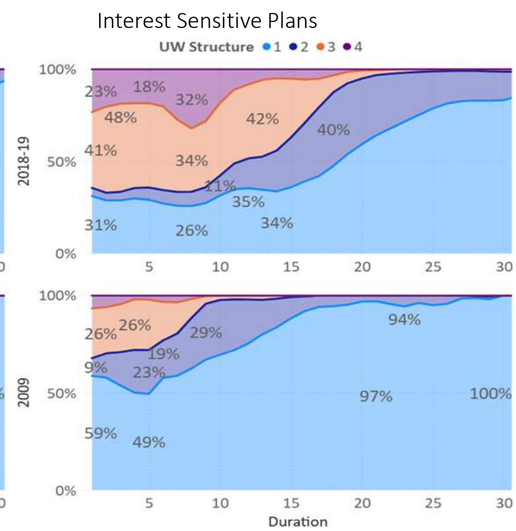
13

Underwriting Structure Changes More Prominent for Interest Sensitive Plans than Permanent

Policy Exposure by Duration and Underwriting Structure– Perm v Interest Sensitive Plans





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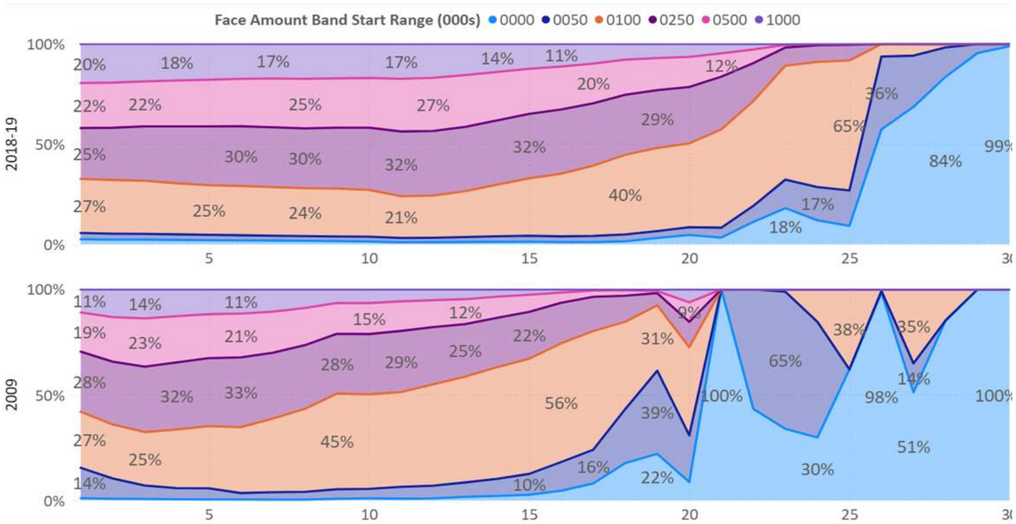
14

Experience by Face Amount Band, with Increased Face Amount Exposure for Term Plans*

Policy Exposure by Duration and Within Level Term Period Face Amount



* Change for Non-Term plans is non-remarkable

15

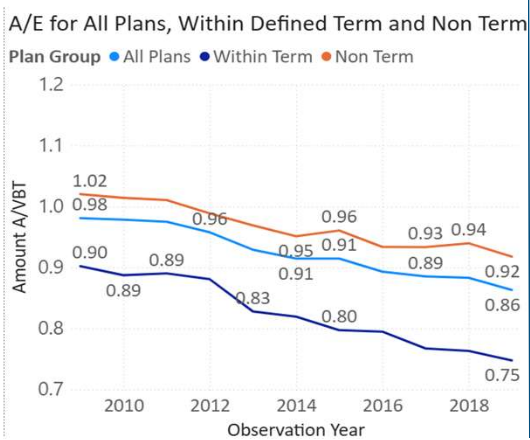
Changes in mix of business

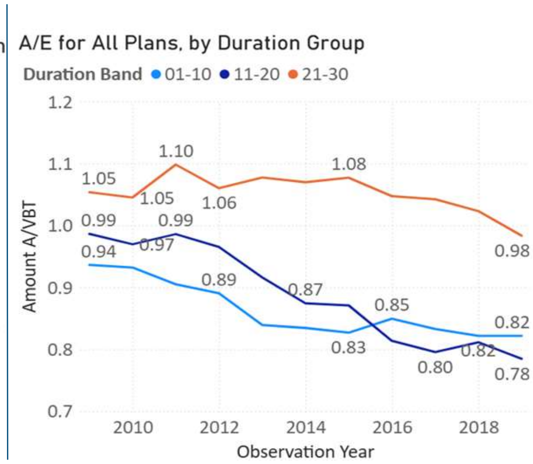
Contribute to different mortality levels and patterns by product type

16

16

A/E*^ (by Amount) Very Different by Product Type, Duration and Observation Year

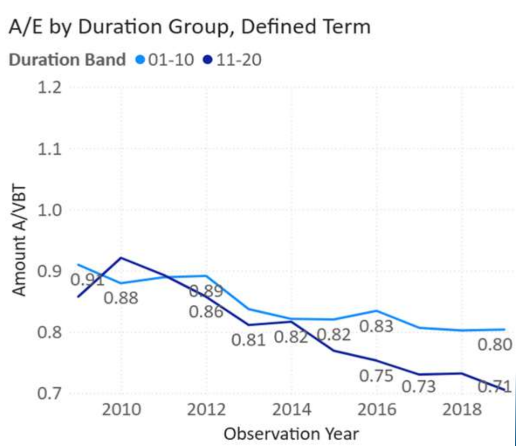


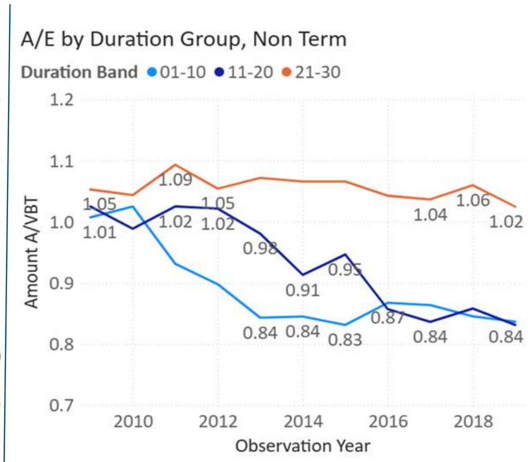


* E = 2015 VBT RR100
^ Excludes post level term

17

A/E*^ (by Amount) Very Different by Product Type, Duration and Observation Year



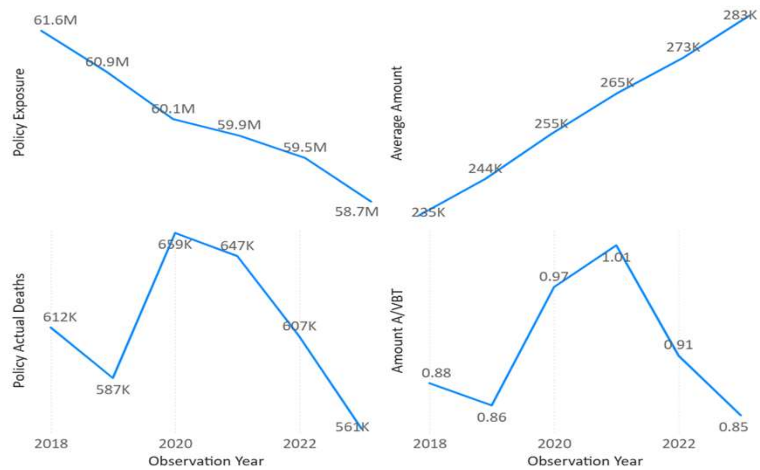


* E = 2015 VBT RR100
^Excludes post level term

18

More recent experience, 2020-2023* does not clarify the picture

- There are significant changes in the experience between 2018/2019 and the 2020-2022 COVID-19 years
- 2023 appears more consistent with earlier observation years



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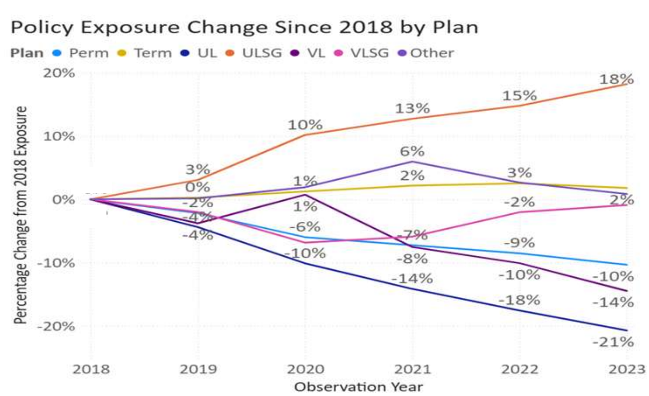
* Preliminary. Analysis not yet final.

19

Exposure by plan type has also shifted significantly from 2018 to 2023*

- There are significant changes in the experience between 2018/2019 and the 2020-2022 COVID-19 years
  - UL, VL, and Perm declined
  - Term remained steady
  - ULSG increased substantially, due to 14% annualized growth in IULSG



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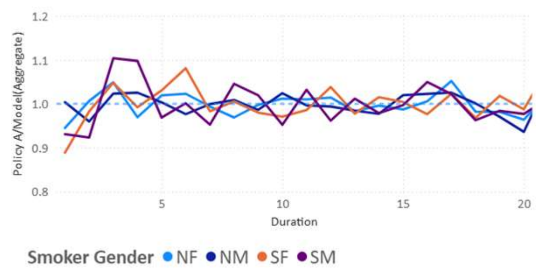
* Preliminary. Analysis not yet final.

20

Preliminary Modeling Results: Using 2018-2019 Data, Starting Aggregate Model Shows Reasonable Fit to Actuals

"High dimension", tensor smoothed, Poisson, Generalized Additive Models (GAMs) with
  - Attained Age and Deaths,
  - Smoker Status and Gender
  - Policy Weighted Exposure and Deaths
- All data included other than:
  - Post level term
  - Term conversions
  - Substandard lives
  - Joint lives

Actual to Model (Policy) by Duration and Risk Class
Model fit by Smoker and Gender



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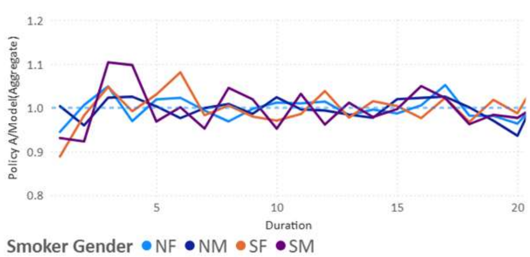
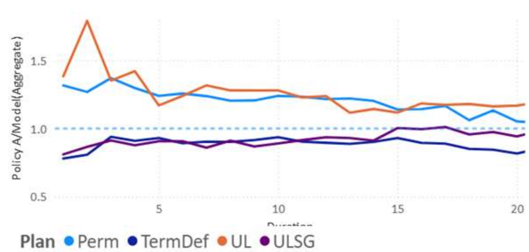
21

Aggregate Table Appears to Fit Well for Broad Gender and Smoker Groups, but Less So Across the Different Plan Types

Actual to Model (Policy) by Duration and Risk Class
Model fit by Smoker and Gender



Actual to Model (Policy) by Duration and Plan*
Model fit by Smoker and Gender



Differences seem to drive different fit and patterns between products more prominently than historical experience

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* UL includes IUL, VUL ; ULSG includes IULSG, VULSG

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Aggregate Model Refined to Test at Different Level of Granularity (Incorporating Different Attributes or Interactions)

Aggregate model tested against model fit with additional granularity or interactions:

Modeling Interactions	Data Grouping*	
Plan Type	• Perm • Defined Term (Level Premium Term)	• UL (includes IUL, VUL) • ULSG (includes IULSG, VULSG)
Face Amount Band	• < $100k • $100k - $249k	• $250k - $499k • ≥ $500k
Risk Class Grouping^	• Preferred: (1/2, 1/3, 1/4, 2/3, 2/4) • Residual: (2/2, 3/3, 4/4)	• N/A: Preferred underwriting indicator of 0

Actual to Model fit then tested across each attribute or interaction separately and in various combinations (e.g., plan type and face amount band)

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* Analyzed at granular interaction level and with some aggregation of data groups within an interaction
^ Classes using coding system from VM-51

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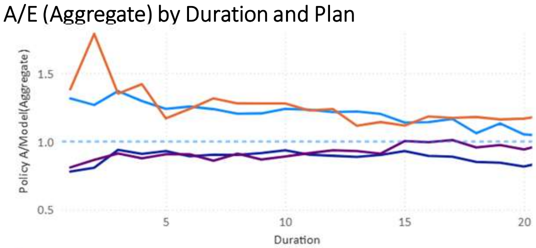
Model Fit and Capture of Experience Differential Better when Accounting for Face Amount Band

Actual to Model (Policy) by Duration and Plan*
Model fit by Gender and Smoking Class
A/E (Aggregate) by Duration and Plan

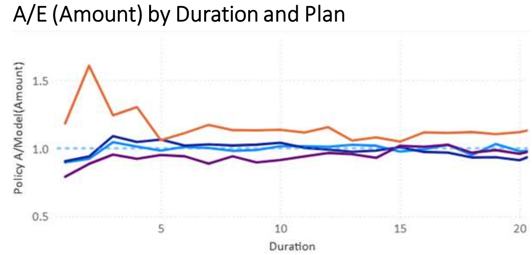


Differences seem to drive different fit and patterns between products more prominently than historical experience

Plan • Perm • TermDef • UL • ULSG

Adding additional attributes or interactions to the model, such as face amount band, helps to explain and drive some of the difference but not all

Actual to Model (Policy) by Duration and Plan*
Model fit by Gender, Smoking Class, and Face Amount#
A/E (Amount) by Duration and Plan



Face Amount Band: Term: <$100k, <250k, <$500k, $500k+

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* UL includes IUL, VUL, ULSG includes IULSG, VULSG

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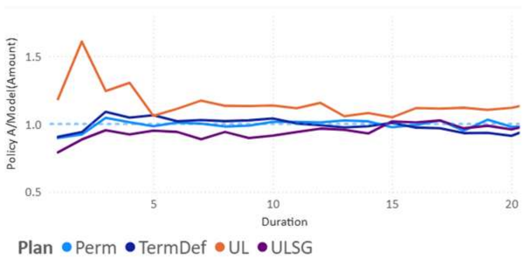
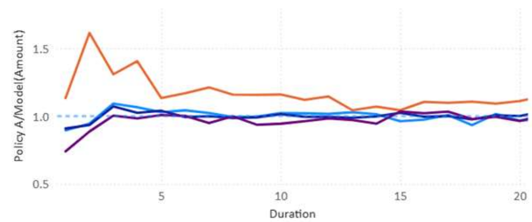
Model Fit Further Improves when Also Accounting for Plan and Underwriting in Addition to Face Amount Band

Actual to Model (Policy) By Duration and Plan
Model fit by Smoker, Gender, and Face Amount Band#
A/E (Amount) by Duration and Plan



Face Amount Band: Term: <$100k, <250k, <$500k, $500k+

Actual to Model By Duration and Plan
Model fit by Smoker, Gender, Plan Group*, Face Amount Band^ and Underwriting**



Adding additional attributes or interactions to the model improves the overall fit from Amount Model but still have differences for UL plans

* Plan: Term and Non-Term
^ Face Amount Band: Term: <$250k, $250k+; Non-Term: <$100k, $500k+
** Underwriting: Preferred, Residual, and N/A

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Juvenile Issue Age Mortality Pattern
Creates Challenges with Blending Into a Single Table

26

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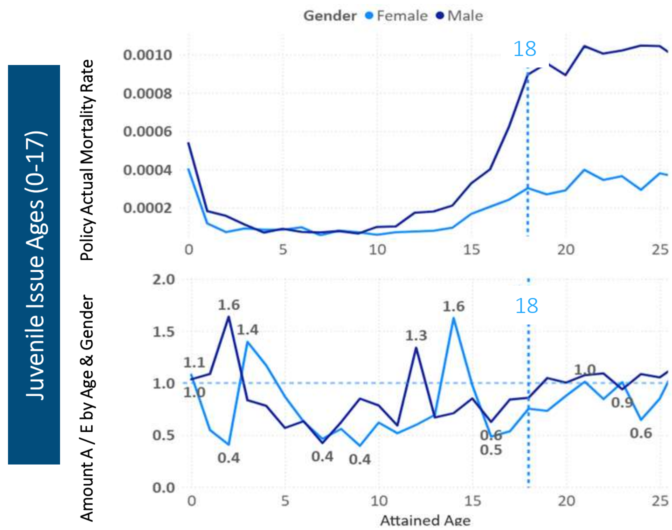
Juvenile Risk Mortality Experience Follows Different Pattern

- For the 2015 VBT Table development, blending the juvenile risks to the SN/NS tables resulted in an increase to the earlier issue ages to ensure smoothing, changing the slope and fit of the table
- A/E to VBT is quite volatile suggesting VBT no longer a reasonable fit



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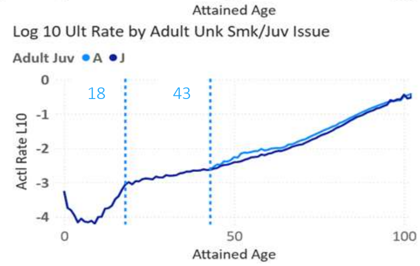
Younger Adult and Juvenile Risk Mortality Experience Follows Different Patterns

- Continue to see differences in level and pattern of mortality into the young adult ages (18-25), making monotonicity challenging
- Juvenile risks need more study as do the adult 18-25 issue age grouping

A/Model(Aggregate) Non Smoker

A/Model	18-25	26-39	40-54
01-05	1.04	0.97	1.02
06-10	1.13	0.98	1.00
11-15	1.12	0.97	1.00
16-20	1.07	0.98	0.98
21-25	1.03	1.02	1.02

Issue Age Band (columns); Duration Band (rows)



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Key Areas for Input from LATF, Decision Considerations

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Decision 1: Which exposure years to include?

- Prior to 2018, different mix of contributing carriers
- 2020-2023 data just now available to ILEC
- 2020 – 2022 COVID-19 years so recommend excluding
- 2023 - Endemic COVID?
  - How to account for historical experience which is inconsistent with go-forward mortality

Recommendation:

- Base table on 2018-2019 exposure year data
  - Consistent group of carriers
  - Sufficient data across cells for credibility by age and by duration
  - Use 2023 as test table; make adjustments only if necessary

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Level of Granularity Drives Other Considerations

Consideration	More Granular Tables	Model More Consistent with Existing VBT
Fit to more recent experience	🟢	🟠
Recognizes long-standing differences in experience by face amount	🟢	🔴
Ease of Carrier Implementation – Continues Existing Table Structure	🟠	🟢
Incorporates product mix differences – better alignment with carrier mix of business	🟢	🔴
RR table and wear-off revisions, possibly structure change as well	🟠	🟢
Alignment for younger issue age experience grading to older ages	TBD	TBD
Valuation Manual Section 9.C Changes	🔴	🟢
CSO and Tax Considerations, Margins	🟠	🟢
Reserve impacts	TBD	TBD

🟢 Fit with data or similar to existing VBT structure driving easier implementation
🟠 Less fit with data or may have more complexity to implement
🔴 Worse fit with data or may require substantive changes to implement

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Decision 2: Guidance and Considerations for Level of Granularity – Separate Tables by Product

Considerations:

- Mix of business continues to evolve
- Blending from level term period to post level term period
- Still insufficient experience for longer level term periods (e.g., 25-30 years)
- Current (insufficient) data for accelerated underwriting for both term and permanent blocks
- Could result in different select periods between term and permanent plans
- When, if ever, to grade back together

Recommendation:

- Separate tables between term plans and permanent plans
- No further product splits or differentiation within permanent plan tables

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Decision 3: Guidance and Considerations for Level of Granularity – Separate Tables by Face Amount Band

Considerations:

- Though historical experience varied by face amount, with much more experience at lower face amounts, LATF has previously not wanted to vary tables by face amount bands
- Experience continues to show significant variation by face amount, especially for permanent plans of business
- Need to define face amount bands
- For interest sensitive plans, implications for face amount changes post issue

Recommendation:

- Still forming
- Bent to recognize some variation between lower face amounts (e.g., <$100k and $100k+)

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Decision 4: Guidance and Considerations for Level of Granularity – Separate Tables by Risk Class Structure

Considerations:

- Risk class splits vary by duration and product type
  - Limited later duration experience on multiple split basis
- Experience is, to-date, limited and doesn't recognize evolving accelerated underwriting
- Any change to the table structure likely will require substantive changes to the RR tables and possibly structure

Recommendation:

- Still forming
- Bent to reflect some level of risk class granularity in the tables

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Decision 5: Guidance and Considerations for Level of Granularity – Separate Tables for Juvenile Risks

Considerations:

- Better alignment with shape of mortality curve by issue age group
- Reduces complexity of blending juvenile issue age underwriting and mortality with fully underwritten business at adult ages
- Adds implementation complexity
- CSO considerations?
- Still have challenge with younger adults (e.g., 25) and monotonicity

Recommendation:

- Separate tables for juvenile and adult issue ages
- Still forming recommendation for young adult. Could we violate monotonicity at younger ages?

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Next Steps and Timetable

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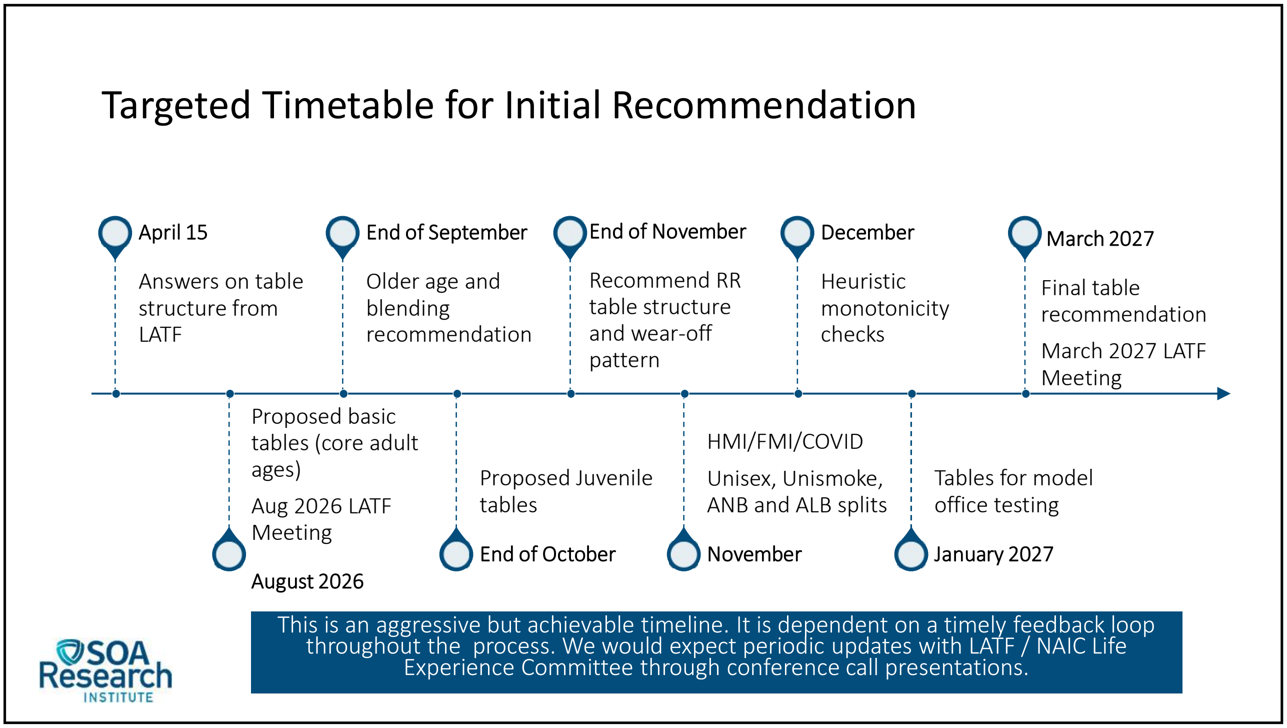
Targeted Timetable for Initial Recommendation
April 15
Answers on table structure from LATF
August 2026
Proposed basic tables (core adult ages)
Aug 2026 LATF Meeting
End of September
Older age and blending recommendation
End of October
Proposed Juvenile tables
End of November
Recommend RR table structure and wear-off pattern
November
HMI/FMI/COVID
Unisex, Unismoke, ANB and ALB splits
December
Heuristic monotonicity checks
January 2027
Tables for model office testing
March 2027
Final table recommendation
March 2027 LATF Meeting
This is an aggressive but achievable timeline. It is dependent on a timely feedback loop throughout the process. We would expect periodic updates with LATF / NAIC Life Experience Committee through conference call presentations.
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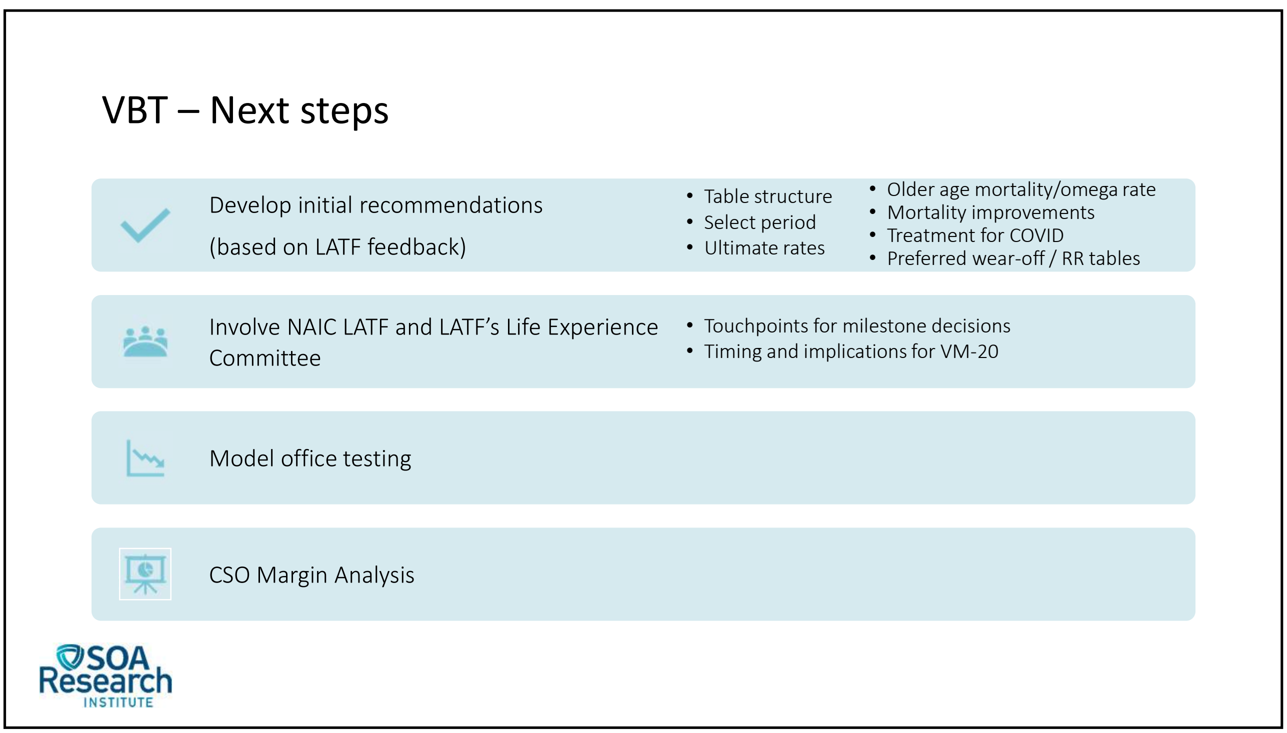
VBT – Next steps
Develop initial recommendations
(based on LATF feedback)
• Table structure
• Select period
• Ultimate rates
• Older age mortality/omega rate
• Mortality improvements
• Treatment for COVID
• Preferred wear-off / RR tables
Involve NAIC LATF and LATF's Life Experience Committee
• Touchpoints for milestone decisions
• Timing and implications for VM-20
Model office testing
CSO Margin Analysis
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Contact Information

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Phillip Adams, FSA, CERA, MAAA
Senior Experience Studies Actuary
SOA Research Institute
padams@soa.org

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10. Consider Re-Exposure of APF 2023-10

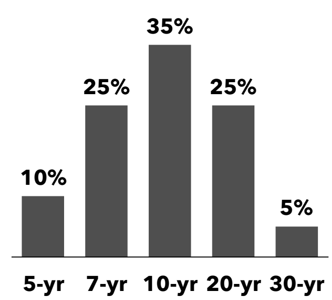
Rachel Hemphill (TX)

VM-20 ULSG Model Office Specifications

Model assumptions and product features were selected based on industry benchmarks to be a simplified representation of products currently offered

Projection model details

- Universal life with shadow design lifetime secondary guarantee issued in 2020
- Valuation date 12/31/2023
- Time 0 reserves held in 50% 5-year BBB bonds and 50% 7-year BBB bonds
- Reinvestment strategy uses 50% A/AA corporate bonds distributed across:
  - 5, 7, 10, 20, and 30-year bonds



VM-20 ULSG Model Office Specifications

Model assumptions and product features were selected based on industry benchmarks to be a simplified representation of products currently offered

Best estimate assumptions	▪ Follows industry benchmark assumptions ▪ Mortality experience is 100% credible with 20 years of sufficient data ▪ UL crediting rate is dynamic and based on NAER less a spread, varying for each stochastic scenario
Prudent estimate assumptions	▪ VM-20 prescribed mortality margins based on credibility and sufficient data period ▪ Minimal lapse when policy maintained in-force by NLG (i.e. CSV = 0)

3

Review of Model Office Cohorts

ULSG Model

Universal Life with Secondary Guarantees (ULSG) model—long-duration product, larger potential for reserve reduction

- No reinsurance in the model
- Mortality

  2015 VBT Relative Risk Tables (ANB)
  - Preferred NS = RR80
  - Standard NS = RR100
  - Standard SM = RR100

  Company Mortality
  - High Band = 85% of RR Table
  - Low Band = 90% of RR Table

  Industry Mortality = 100% RR Table

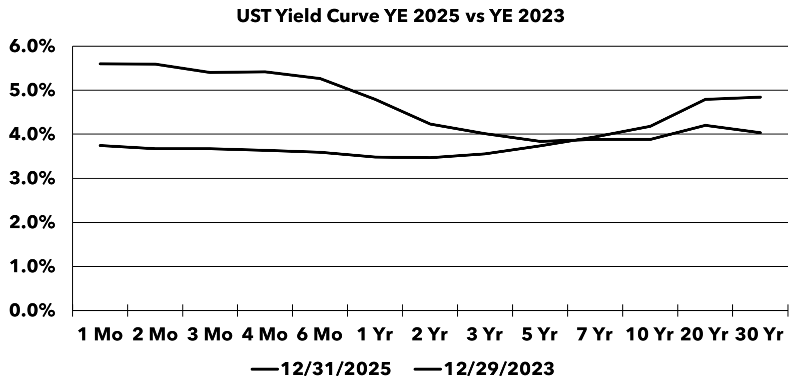
Impact Testing

Issue Ages	Decennial issue ages 30-70
Gender	50/50 Male / Female
Risk Classes	Preferred Nonsmoker Standard Nonsmoker Smoker
Face Bands	Low ($250K) High ($1M)
Impact Measures	CTEs of GPVAD Discount rates by scenario

4

GOES Scenarios used in impact analysis

12/31/23 UST Starting Yield Curve



https://home.treasury.gov/resource-center/data-chart-center/interest-rates/TextView?type=daily_treasury_yield_curve&field_tdr_date_value=2025

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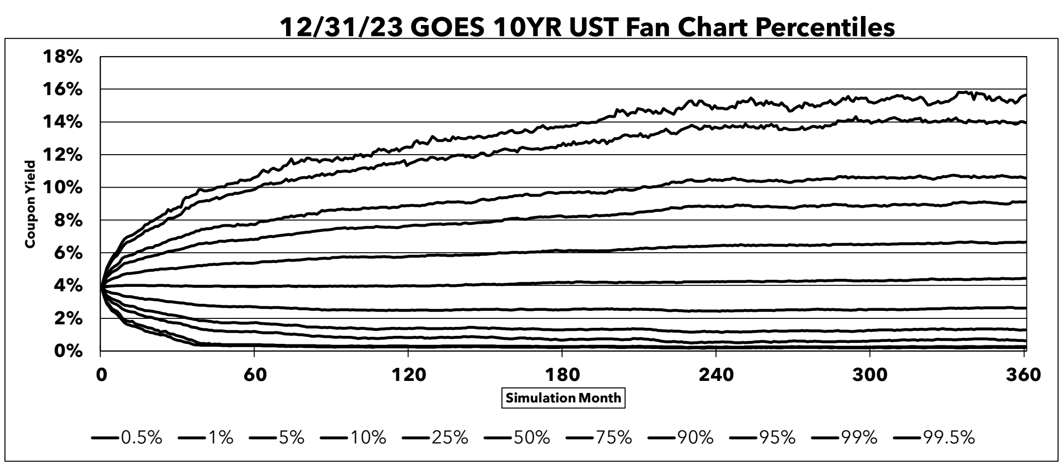
GOES Scenarios used in impact analysis



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2026 SPRING NATIONAL MEETING NAIC

OW Model Office Analysis Approach

1. Produced VM-20 stochastic reserve (SR) using:
   - 1000 scenario subset from GOES Revised 12/31/2023 scenario set.
   - latest AXIS model with the updated asset portfolios
2. Used two different discounting methods:
   - Discounting at 1Y UST
   - Discounting at the net asset earned rate (NAER), consistent with the deterministic reserve (DR)

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2026 SPRING NATIONAL MEETING NAIC

Model Office Analysis Approach (Cont.)

3. Performed analysis of the model results along the tail scenarios with focus on the 1Y UST rates, NAERs, and net liability cashflows:
   - Identified the 99th percentile scenario for each run based on GPVAD
     - 1YR UST = Scenario #6505
     - NAER = Scenario #4529
   - Pinpointed the worst scenario for each run (happened to be the same scenario in both runs) based on GPVAD
     - 1YR UST Scenario = NEAR Scenario = Scenario #2667
   - Reviewed the distribution of net liability cashflows, 1Y UST and NAER's across the 20 worst scenarios (based on GPVAD for each run)

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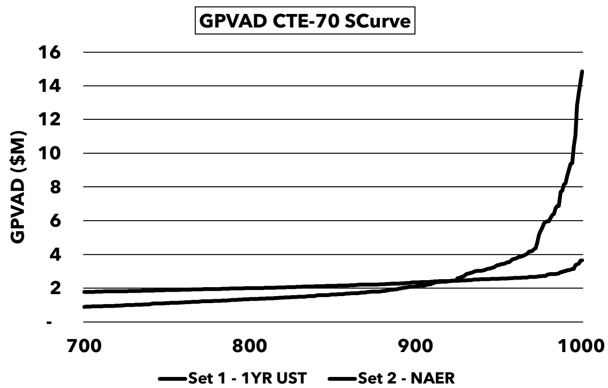
Stochastic Reserve under VM-20 using NAER compared to 1Y UST discounting

Discounting	CTE 70	CTE 98
1YR UST	2,408,847	9,232,626
NAER	2,223,362	3,099,531
Impact	**-7.70%**	**-66.43%**



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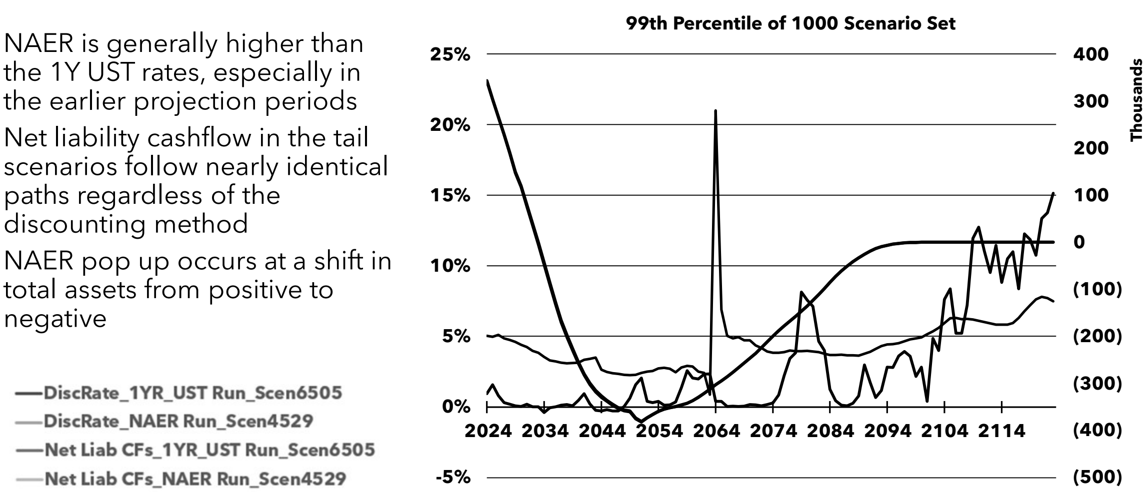
Reviewed 99th Percentile

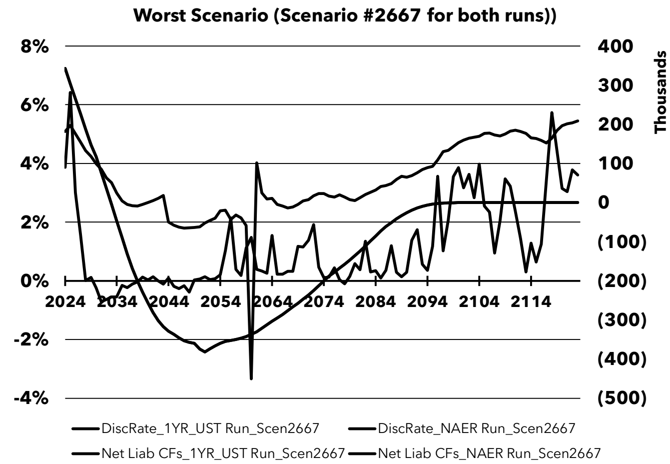
- NAER is generally higher than the 1Y UST rates, especially in the earlier projection periods
- Net liability cashflow in the tail scenarios follow nearly identical paths regardless of the discounting method
- NAER pop up occurs at a shift in total assets from positive to negative



10

Reviewed Worst Scenario

- NAER is generally higher than the 1Y UST rates, especially in the earlier projection periods
- Net liability cashflow in the tail scenarios follow nearly identical paths regardless of the discounting method
- NAER pop down occurs at the shift in total assets from positive to negative
- Worst scenario happened to be the same under each method (Scenario #2667)



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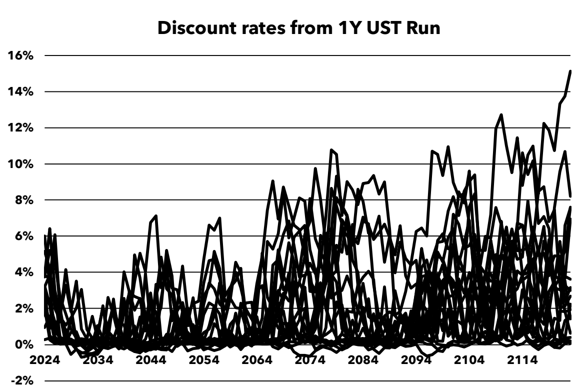
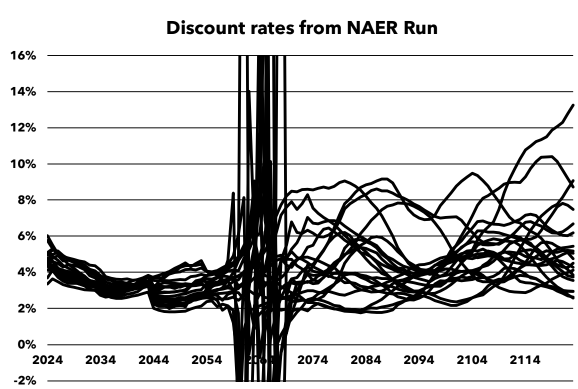
Review 20 worst scenarios based on GPVAD

Decrease in CTE's is commensurate with the increase in discount rates from the 1Y UST to the NAER





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SOCIETY OF ACTUARIES RESEARCH UPDATE TO LATF

March 22, 2026

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

1

SOA Research Highlights

- Experience Studies Releases
  - Upcoming Data Call for Life Insurance Company Expense Study
  - Individual Life and Individual Annuity Products
  - Distribution Systems
  - Acquisition, Maintenance, and Overhead Expenses
- Practice Research
  - Complex Assets in Insurance and Annuity Industries
  - International Reinsurance Landscape Overview for U.S. Life & Annuities
- 19th Annual Emerging Risk Survey released on March 10
- AI Insights Symposium May 13 – 14
  - Use of AI and AI Risk Management

2

2

Experience Studies

Project Name	Objective	Link/Expected Completion Date
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	https://www.soa.org/resources/experience-studies/2025/2022-24-va-livingbenefit/
2009-2023 Term Conversion Incidence and Post-Conversion Mortality and Lapse Experience - Report	Conduct a mortality and lapse experience study on converted life insurance policies	https://www.soa.org/resources/experience-studies/2025/2009-23-term-conversion/
2023-2024 Fixed Indexed Annuity Study - Report	Examine lapse and the utilization of guaranteed living withdrawal benefit options on fixed indexed 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 indexed 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/2025/2023-fixed-index-annuity/
2000-2023 U.S. Historical Population Mortality Rates		https://www.soa.org/resources/research-reports/2025/us-historical-mortality-rates/
ILEC Simplified Issue/Accelerated Underwriting Study	Understanding simplified issue and accelerated underwriting in life and survey practices, and analyze data as it is available	Mar 2026
2020-2024 Individual Payout Annuity Mortality Study		Jun 2026
2015-2024 Deferred Annuity Mortality Study		Jul 2026
2024-2025 Registered Index-Linked Annuity (RILA) Behavior Study		Sep 2026
2018-2024 Individual Life Mortality Study	Individual life mortality study based on VM51 and including additional data on cause of death and accelerated benefits	Oct 2026
2009-2024 Post-Level Term Mortality and Lapse		Dec 2026

3

3

Practice Research

Project Name	Objective	Link/Expected Completion Date
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	https://www.soa.org/resources/research-reports/2026/fairness-metrics-life-insurance/
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/
Mitigating Potential Unwanted Bias in Life and Annuity Products: Call for Essays	Essays that increase awareness of potential unwanted bias in any process related to life or annuity insurance products and offer methods for eliminating or reducing the likelihood of unwanted bias	https://www.soa.org/resources/research-reports/2025/unwanted-bias-life-annuity/
International Reinsurance Landscape Overview for U.S. Life & Annuities	An overview of reinsurance in a variety of international jurisdictions for U.S. life and annuities, comparing key jurisdictions' capital/reserving rules and practical implications for competitiveness, risk management, and policyholder protection	https://www.soa.org/resources/research-reports/2026/international-reinsurance-landscape-overview/
Complex Assets in Insurance and Annuity Industries	Explores how life and annuity insurers use CLOs, ABS, and MBS to boost yield, and discusses the key liquidity, valuation, and cash-flow risks to manage	https://www.soa.org/resources/research-reports/2026/complex-assets-insurance-annuities/
Criminal Histories and Mortality	Examines the link between individuals with a criminal history and mortality	Mar 2026
Generating Consistent Real World and Risk Neutral Interest Rate Scenarios	Expands and develops new methodology related to interest rate scenario generators	Jun 2026
Impact of AI-Supported Underwriting on Mortality Slippage – Report	Get a holistic and in-depth understanding of the industry's current approaches to AI-supported underwriting and its impacts on mortality slippage	Jun 2026
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	Jul 2026
LTC Pricing Project Refresh	This is an update to the original study published in November 2016	Oct 2026

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Academy Professionalism Update

NAIC Spring National Meeting

March 2026

American Academy of Actuaries

1

Housed in the Academy: The Web of Professionalism

2

- U.S. Code of Professional Conduct
- U.S. Qualification Standards (USQS)
- Actuarial Standards Board & Actuarial Standards of Practice (ASOPs)
- Actuarial Board for Counseling and Discipline (ABCD)

All of these are accessible via the Academy's professionalism page, actuary.org/professionalism, along with Discussion Papers, the Applicability Guidelines, and Professionalism Counts (in Actuarial *Update*) and Up to Code (in *Contingencies*) columns.

American Academy of Actuaries

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Committee on Qualifications

3

The Committee on Qualifications (COQ)

- Recommends to the Academy's Board of Directors the minimum qualification standards, including continuing education requirements, necessary to qualify credentialed actuaries to issue statements of actuarial opinion in the United States.
- Answers questions relating to qualifications.
  - As of early March, the COQ received six questions in 2026, covering qualifications for non-US actuaries to issue SAOs, specific qualifications, CE, and documentation requirements.

The most recent U.S. Qualification Standards took effect Jan. 1, 2022.

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Actuarial Standards Board (ASB)

ASB ACTUARIAL STANDARDS BOARD 4

General ASOPs under revision

- ASOP No. 1, *Introductory Standard of Practice*
- ASOP No. 12, *Risk Classification (for All Practice Areas)*
- ASOP No. 41, *Actuarial Communications*

Learn more at: www.actuarialstandardsboard.org

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Actuarial Standards Board (ASB)

ACTUARIAL STANDARDS BOARD 5

Life ASOPs under revision or development

- ASOP No. 52, *Principle-Based Reserves for Life Products under the NAIC Valuation Manual*
- *Pricing Reinsurance or Similar Risk Transfer Transactions Involving Life Insurance, Annuities, or Long-Duration Health Benefit Plans* (new)

Recently approved

- ASOP No. 7, *Life or Health Cash Flow Analysis*
    - Effective June 1, 2026

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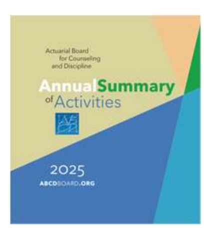
Actuarial Board for Counseling and Discipline (ABCD)

Recent ABCD activities

- In 2025, the ABCD handled a total of 138 cases, consisting of 114 requests for guidance (RFGs) and 24 inquiry cases.
- In addition, the ABCD conducted 25 outreach presentations, both virtually and in person, for actuarial organizations, regulators, and actuarial clubs and firms across all major regions of the United States.

In *Contingencies* magazine

- March/April 2026 Up to Code article, Perspectives from the ABCD
- Jan/Feb 2026 Up to Code article, Precept 13 and Self-Regulation
- Nov/Dec 2025 Up to Code article, When Is a Violation Resolved?



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Coming Soon

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Webinar on

ASOP No. 41 Exposure Draft

1.8 organized and professionalism continuing education (CE) credits

ASB Board and Committee members will discuss the recent exposure draft of ASOP No. 41, *Actuarial Communications*, which applies to all practice areas. Attendees will gain a clear understanding of the proposed changes and insight into why they are being made.

American Academy of Actuaries

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Questions?

8

For more information, or to send suggestions/comments on the U.S. Qualification Standards, please contact

Virginia Hulme, Assistant Director, Professionalism

professionalism@actuary.org

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8

Life Practice Council Update

Life Actuarial (A) Task Force

March 22, 2026

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About the Academy

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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.

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2

Recent LPC—NAIC Engagement

3

Life Risk-Based Capital (E) Working Group

- Assisting group with developing recommendations for revisions to C-3 framework
- Comments on C-3 Phase I and Phase II updates

Longevity Risk (E/A) Subgroup

- Assisting group with longevity reinsurance proposals for C-2 charge.
- Comments on a proposed framework for the RBC C-2 charge for longevity reinsurance

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 RBC Project

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Upcoming Life-focused Events

- **Life Investment Summit, New York,** May 12-13, 2026
- **PBR Seminar,** Aug. 2026
- **Retirement Symposium, D.C.,** Sept. 2026
- **Life and Health Qualifications Seminar, Arlington,** Sept. 28-Oct. 1, 2026

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Recent LPC Activity

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Webinars/Events:

- Refining US GAAP for Long-Duration Insurance Contracts—Jan. 14
- Underwriting: A Governance Checklist—Jan. 21
- Spring Policy Summit and annual Capitol Hill Visits—March 10-11

Publications

- Fixed Indexed Annuities—Product Mechanics and Risk Management
- 7702, Valuation Rate, and Applicable Federal Interest Rate Calculator

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REMINDER: Disruptive Events

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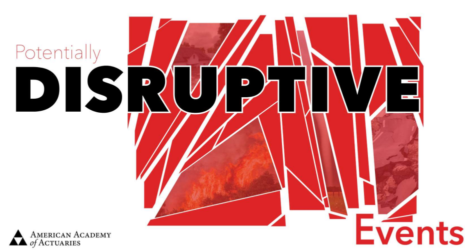
The Academy continues to seek input on potentially disruptive events:

- 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

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Insuring the Future

Insurance Investment Summit 2026

The world of insurance asset management is rapidly evolving. Make sure you are staying ahead.

Learn more: actuary.org/insurance-investment-summit

New York City, NY | May 12-13, 2026

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Join us Tonight!

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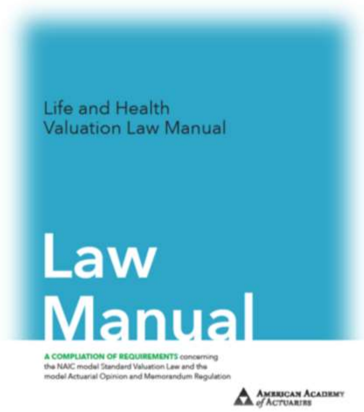
Life and Health Valuation Law Manual



What's Inside?

- Current topics section outlining key valuation developments and specific state guidance;
- Current NAIC model laws and regulations that affect reserve calculations;
- A discussion of generally distributed interpretations; and
- Current actuarial guidelines from the NAIC *Financial Examiners Handbook*.

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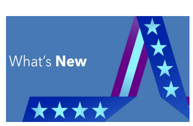

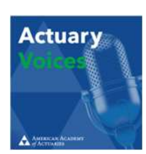

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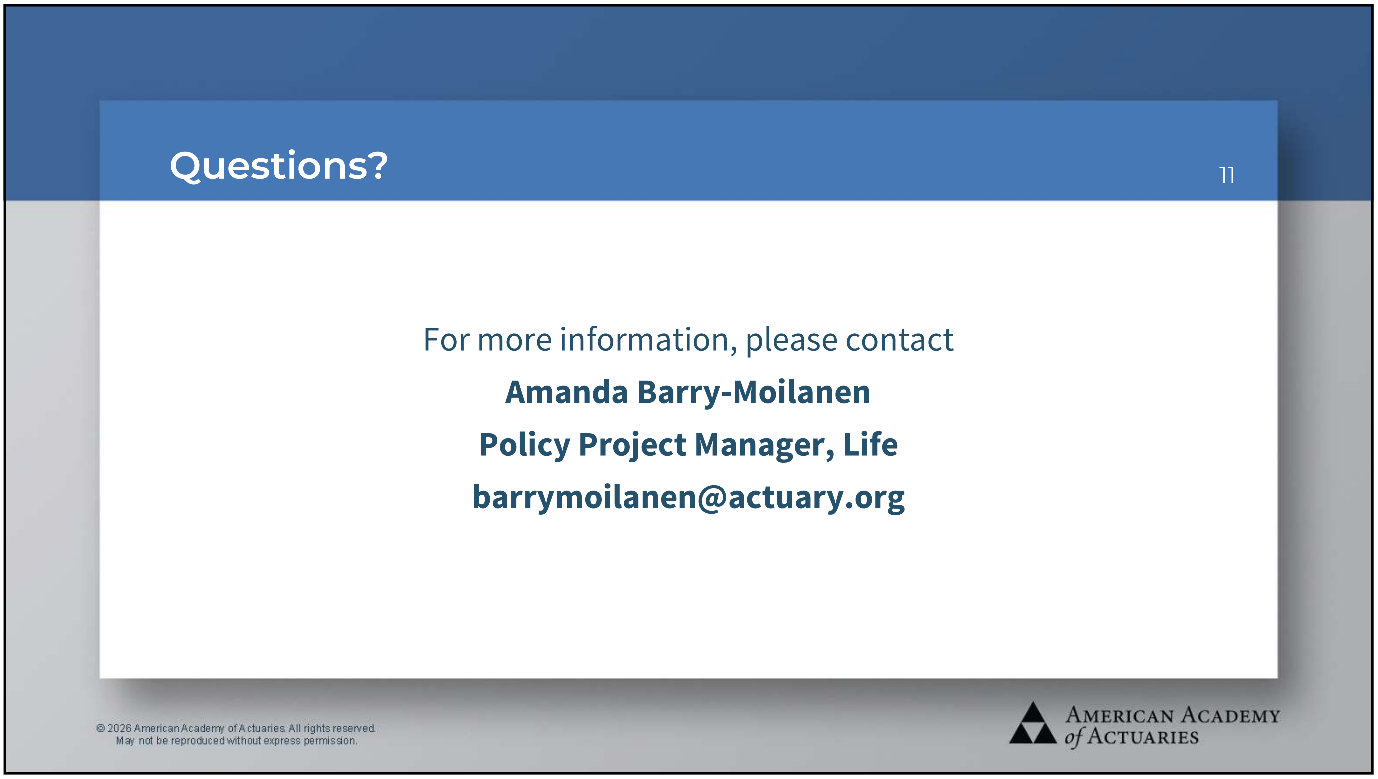
Questions?
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For more information, please contact
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Life Actuarial (A) Task Force/ Health Actuarial (B) Task Force
Amendment Proposal Form*

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

   Rachel Hemphill, TDI, Update VM-20 stochastic reserve calculation to reflect aggregation.

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:

   VM-20 Section 5.G

   Valuation Manual, January 1, 2026 Edition

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.)

   VM-20 Section 5.G

   The SR equals the amount determined in Section 5.F. If the company includes policies from two or more VM-20 reserving categories in a subgroup for aggregation purposes as described in Section 5.A, the company shall calculate the SR for policies from each VM-20 reserving category on a stand-alone basis by following the process of A through F above. Then, the final SR for the group of policies from a given VM-20 reserving category is determined by:

   $I_A = I_S*(T_A/ T_S)$, if $T_S \neq 0$
   $I_A = 0$, if $T_S = 0$

   Where:

   I_A = the SR for the policies from an individual VM-20 reserving category reflecting aggregation.
   I_S = the SR for the policies from an individual VM-20 reserving category on a stand-alone basis.
   T_A = the SR for the group of policies in aggregate.
   T_S = the sum of I_S for the group of policies for the Term, ULSG, and All Other reserving categories.

Deleted: category

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

   Allow reflection of the aggregation benefit in the VM-20 stochastic reserve.

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* 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
11/14/25	JR		
Notes: 2025-17			