



Draft date: 3/10/23

*2023 Spring National Meeting
Louisville, Kentucky*

LIFE INSURANCE AND ANNUITIES (A) COMMITTEE

Thursday, March 23, 2023

2:30 – 3:30 p.m.

Omni Louisville—Commonwealth Ballroom—Level 2

ROLL CALL

Judith L. French, Chair	Ohio	Eric Dunning	Nebraska
Carter Lawrence, Vice Chair	Tennessee	Scott Kipper	Nevada
Mark Fowler	Alabama	Marlene Caride	New Jersey
Barbara D. Richardson	Arizona	Adrienne A. Harris	New York
Karima M. Woods	District of Columbia	Glen Mulready	Oklahoma
Doug Ommen	Iowa	Scott A. White	Virginia
Vicki Schmidt	Kansas	Nathan Houdek	Wisconsin
James J. Donelon	Louisiana		

NAIC Support Staff: Jennifer R. Cook/Jolie H. Matthews

AGENDA

1. Consider Adoption of its Feb. 24 Minutes—*Director Judith L. French (OH)* Attachment One
2. Consider Adoption of the Report of the Life Actuarial (A) Task Force—*Rachel Hemphill (TX)* Attachment Two
3. Consider Adoption of the Report of the Accelerated Underwriting (A) Working Group—*Commissioner Nathan Houdek (WI)* Attachment Three
4. Hear a Presentation from the American Council of Life Insurers (ACLI) and the Society of Actuaries (SOA) on the Current State of Life Insurance—*Patrick C. Reeder (ACLI), Dr. Andrew Melnyk (ACLI), and Dale Hall (SOA)*
5. Discuss Any Other Matters Brought Before the Committee—*Director Judith L. French (OH)*
6. Adjournment

Draft: 3/8/23

Life Insurance and Annuities (A) Committee
Virtual Meeting
February 24, 2023

The Life Insurance and Annuities (A) Committee met Feb. 24, 2023. The following Committee members participated: Judith L. French, Chair, and Peter Weber (OH); Carter Lawrence, Vice Chair (TN); Mark Fowler (AL); Shane W. Foster (AZ); Karima M. Woods (DC); Doug Ommen (IA); Vicki Schmidt (KS); James J. Donelon (LA); Eric Dunning represented by Megan VanAusdall (NE); Marlene Caride (NJ); Nick Stosic (NV); Adrienne A. Harris represented by Mona Bhalla (NY); Scott A. White (VA); and Nathan Houdek (WI). Also participating were: Fred Andersen (MN); Glen Mulready (OK); and Rachel Hemphill (TX).

1. Adopted its 2022 Fall National Meeting Minutes

Commissioner Houdek made a motion, seconded by Commissioner Ommen, to adopt the Committee's Dec. 14, 2023 minutes (see *NAIC Proceedings – Fall 2022, Life Insurance and Annuities (A) Committee*). The motion passed unanimously.

2. Adopted the Revised AG 49-A

Hemphill explained that the Life Actuarial Task Force adopted edits to *Actuarial Guideline XLIX-A—The Application of the Life Illustrations Model Regulation to Policies with Index-based Interest Sold on or after December 14, 2020* (AG 49-A), effective May 1, 2023, to address an issue in indexed universal life (IUL) illustrations where some companies are illustrating non-benchmark indices in a more favorable manner than benchmark indices, particularly for products with uncapped volatility-controlled funds and a fixed bonus. These “quick fix” edits address a pressing issue in current practice, while the Indexed Universal Life (IUL) Illustration (A) Subgroup continues to discuss longer-term larger-scale improvements.

Andersen clarified that the revisions to AG 49-A are proposed to be effective for illustrations of policies that are sold on or after May 1, 2023. He said the term “sold” has been used in the past, is the term in the current guideline, and has not presented a problem.

Birny Birnbaum (Center for Economic Justice—CEJ) said that the term “sold” is still unclear and would allow for the continued use of illustrations that have been determined to be deceptive and abusive well after May 1. He said not only will policies not be fully paid for until well after May 1, but also policies that were sold before May 1 will continue to be illustrated using the old methodology after May 1. He suggested that it would be easier to administer and more protective of consumers to prohibit the use of the illustrations after May 1. Birnbaum said that insurers would not be required to go back and re-do any illustrations; it would simply require companies to say that they are no longer going to be using the illustration methodology that is deceptive and that state insurance regulators have decided is not appropriate.

Andersen clarified that the revisions to AG 49-A arose out of a concern that there should be a level playing field between the illustrations of benchmark indices and non-benchmark indices, rather than the determination that the illustrations were misleading, per se. Birnbaum said that even if state insurance regulators have not explicitly said the illustrations were misleading, the fact that the guideline has been revised twice is an implicit acknowledgment that insurers have continued to use product design to game the illustration guideline.

Director French said she appreciates Birnbaum sharing his point of view. She reiterated that these changes were just a first step, more work was ongoing, and that “sold” was the term used in the original guideline. Director French said that the revisions to AG 49-A are an example of state insurance regulators trying to get ahead of any actions that could be misleading. She said state insurance regulators also have market conduct exams as a tool available to address any activities that are in fact misleading to consumers.

Commissioner White made a motion, seconded by Commissioner Donelon, to adopt the revisions to AG 49-A (see *NAIC Proceedings – Spring 2023, Executive (EX) Committee and Plenary, Attachment ?*). The motion passed unanimously.

3. Adopted AG 54

Hemphill explained that the Life Actuarial (A) Task Force adopted *Actuarial Guideline LIV—Nonforfeiture Requirements for Index-linked Variable Annuity Products* (AG 54) addressing index-linked variable annuities (ILVAs), effective July 1, 2024. AG 54 provides principles outlining the conditions under which an ILVA is consistent with the definition of a variable annuity and exempt from the *Standard Nonforfeiture Law for Individual Deferred Annuities* (#805) and specifies nonforfeiture requirements consistent with variable annuities. The guideline promotes consistency while allowing for reasonable product variation, outlining that interim values should provide equitable treatment to the contract holder and the insurance company.

Weber said that this guideline is important because it ensures that consumers’ expectations are met in that gains will be realized when indices go up, not just that they will experience losses when the indices go down.

Commissioner White made a motion, seconded by VanAusdall, to adopt AG 54 (see *NAIC Proceedings – Spring 2023, Executive (EX) Committee and Plenary, Attachment ?*). The motion passed unanimously.

4. Discussed Any Other Matters

Director French said that there had been some discussions about using national meetings as an opportunity to have presentations of general interest to a wide audience. She asked anyone having any ideas for topics or areas of interest that the Committee might want to hear about to let her or Jennifer Cook (NAIC) know.

Having no further business, the Life Insurance and Annuities (A) Committee adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/A Cmte/2023 Spring National Meeting/2-24-2 ACmte min Draft

Draft: 3/13/23

Accelerated Underwriting (A) Working Group
Virtual Meeting
February 22, 2023

The Accelerated Underwriting (A) Working Group of the Life Insurance and Annuities (A) Committee met Feb. 22, 2023. The following Working Group members participated: Nathan Houdek, Chair and Lauren Van Buren (WI); Grace Arnold, Vice Chair, represented by Sarah Gillaspey (MN); Jason Lapham (CO); Russ Gibson (IA); Cynthia Amann (MO); Ross Hartley (ND); Megan VanAusdall (NE); Matthew Gendron (RI); and David Hippen (WA).

1. Exposed the Draft of an Accelerated Underwriting Guidance Document and Referral

Commissioner Houdek explained that he would chair the Working Group in 2023 along with Commissioner Grace Arnold (MN) as vice chair. He said that since the Working Group met last, a regulator-only drafting group has been working on developing guidance for regulators on accelerated underwriting. He explained that a draft Accelerated Underwriting Guidance Document (Attachment Two-A) along with a draft referral to the Market Conduct Examination Guidelines (D) Working Group (Attachment Two-B) were distributed prior to the call. Commissioner Houdek explained that the purpose of the virtual meeting today is to review these drafts and formally expose them for comment.

Gillaspey reviewed the draft guidance document and referral. She said the document begins with a brief explanation of NAIC process—that the Working Group was created in 2019 and drafted an educational paper that was adopted by the Life Insurance and Annuities (A) Committee in the Spring of 2022. She said the guidance keys off on a definition of accelerated underwriting that was the result of the presentations heard by the Working Group and the subsequent feedback that the Working Group received through drafting the educational paper. She explained that the guidance focuses on ensuring that life insurers utilize new technologies in ways that comply with existing laws. In addition to coordinating with other NAIC groups working on similar issues, the guidance recognizes that future efforts to develop additional regulations, model laws, data processes, and tools that apply to insurers, data, and vendors may be needed. Gillaspey explained that the guidance focuses on questions and considerations for Departments of Insurance (DOIs) as they review accelerated underwriting programs focusing on ensuring that accelerated underwriting programs are fair, transparent, and secure, and includes examples of questions and requests for information that DOIs may want to use. The goal is to create a useful working document for regulators.

Gillaspey said the Working Group also developed a referral to the Market Conduct Examination Guidelines (D) Working Group, asking them to consider adding some specific guidance to the *Market Regulation Handbook*. She said that the drafting group thought the *Market Regulation Handbook* (Handbook) was a logical place to house some of the knowledge that came out of the educational paper and would be useful to regulators during reviews involving accelerated underwriting programs. She explained that the additions to the Handbook would be based on the *Unfair Trade Practices Act* (#880) and would provide specific guidance to regulators regarding questions to ask life insurers and the types of documents they may want to review to ensure that accelerated underwriting programs are not unfairly discriminatory—that data is fair, data use is transparent, and data is secure. She said the Accelerated Underwriting (A) Working Group is happy to work with the Market Conduct Examination Guidelines (D) Working Group at any point as it considers this referral and any additions to the Handbook.

Birny Birnbaum (Center for Economic Justice—CEJ) asked whether the drafting group had considered making a referral to the Innovation, Cybersecurity, and Technology (H) Committee. He also asked why the drafting group thinks there is a need for additional regulations, models, processes, and tools if current regulations apply. Also,

regulators have broad authority to review accelerated underwriting programs in the same way as traditional underwriting programs and ensure they are not unfairly discriminatory. Gillaspey explained that the drafting group wanted to have as many useful tools as possible for regulators as they review these products, and the Handbook is a tool for that. She said that it makes sense to give examiners an idea of the kinds of questions to ask based on the information learned through the process of researching and drafting the educational report. Van Buren said that insurers are using accelerated underwriting programs currently, and regulators need the appropriate tools to ask about these practices. She said other groups are also looking at these issues and that there is a survey underway looking at accelerated underwriting in life insurance that will inform any future actions on this topic. Any revisions to the Handbook put out now will ensure that practices comply with existing law.

Birnbaum asked where existing laws fall short of necessitating additional regulations, model laws, data processes, and tools. Van Buren said that additional information will likely come from the other groups that are looking into this issue, as well as out of the survey that is underway. Miguel Romero (NAIC) mentioned that the Innovation, Cybersecurity, and Technology (H) Committee is aware of the ongoing work of this Working Group. Romero also explained that a referral to the Market Conduct Examination Guidelines (D) Working Group makes sense right now because there is an existing Handbook that can be revised to address the issue. On the other hand, while the Innovation, Cybersecurity, and Technology (H) Committee has work ongoing, there is no defined place to receive a referral.

Amann pointed out that the Innovation, Cybersecurity, and Technology (H) Committee is a newer Committee and did not exist when the Accelerated Underwriting (A) Working Group was created. She also explained that exam standards rely on having a model, but this issue is so prominent right now that these questions can help guide an examiner when they are doing an underwriting guideline review or looking at rate reviews. She said these questions help frame the kind of review an examiner would conduct.

Peter Kochenburger (University of Connecticut School of Law) said that the draft guidance document refers to prohibiting unfair discrimination but does not define it. He said there is a lot of debate about what “unfairly discriminatory” means, especially in the context of proxy discrimination. Van Buren explained that the guidance is based on state law, so what that term means is going to be consistent with the state’s laws that prohibit unfair discrimination. Birnbaum said that states differ in their understanding of unfair discrimination. In the context of life insurance, insurers have an unfortunate history of using certain occupations as a proxy for race. Whereas in property and casualty insurance, there is precedent for considering unfair discrimination to involve the violation of either actuarial standards or intentional use of race or other protective classes. He said unintentional discrimination or using a proxy for race in life insurance is unfair discrimination, and he does not understand why any state would not consider that to be unfair discrimination.

Commissioner Houdek proposed forwarding the referral to the Market Conduct Examination Guidelines (D) Working Group and exposing the draft guidance document for a formal 30-day comment period following this call. He said the plan is to have another open meeting to discuss any comments received before finalizing the guidance. Jennifer McAdam (American Council of Life Insurers—ACLI) said she was working on other responses to accelerated underwriting issues happening across the country and requested a longer comment period on the guidance document.

Commissioner Houdek agreed to expose the draft guidance document for a 45-day public comment period ending April 15.

Birnbaum requested a comment period for the referral since the guidance document references the referral, and any comments on the guidance document may implicate the referral. Commissioner Houdek agreed to expose the referral for a 30-day public comment period ending March 24.

Having no further business, the Accelerated Underwriting (A) Working Group adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/A Cmte /AUWG/AUWG min 2-23-23 final

TRENDS IN THE LIFE INSURANCE INDUSTRY

NAIC Life Insurance and Annuities (A) Committee

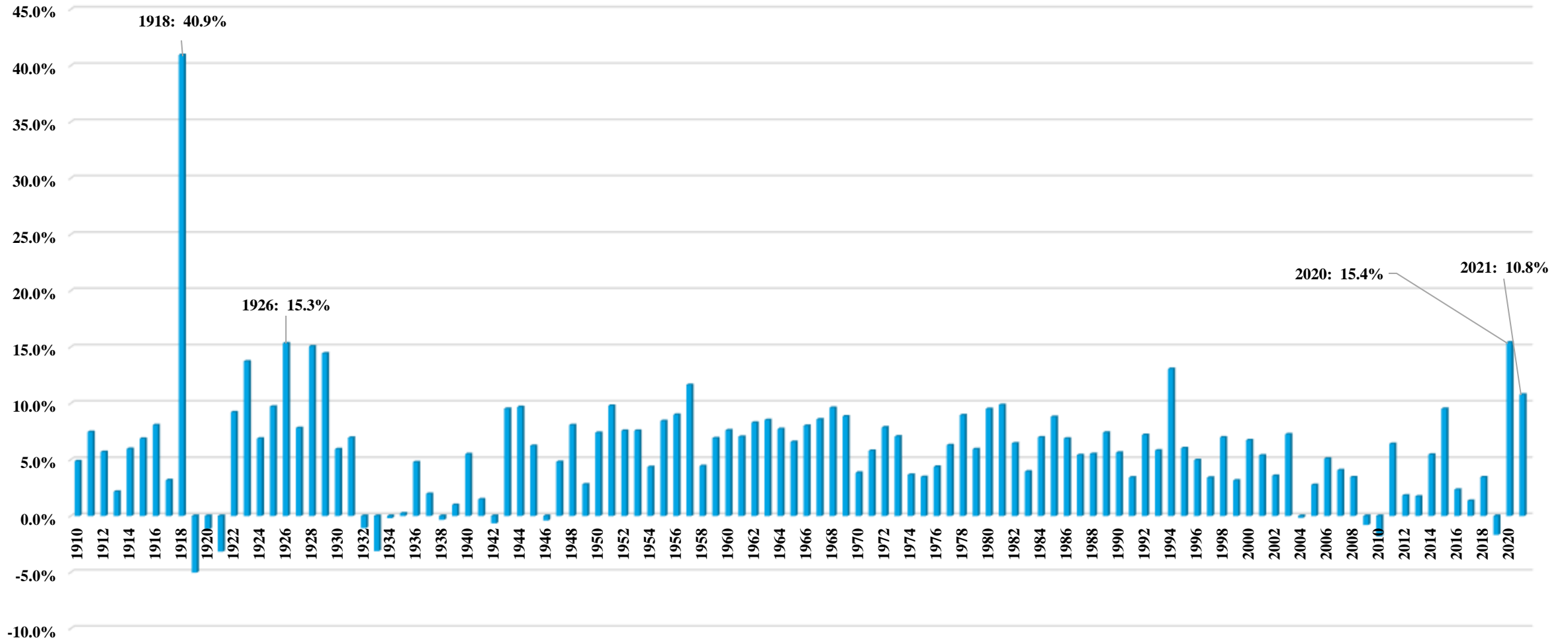
Dr. Andrew Melnyk, Chief Economist & Vice President, Research, ACLI
Patrick Reeder, Deputy General Counsel & Vice President, Policy & Legal, ACLI

March 23, 2023

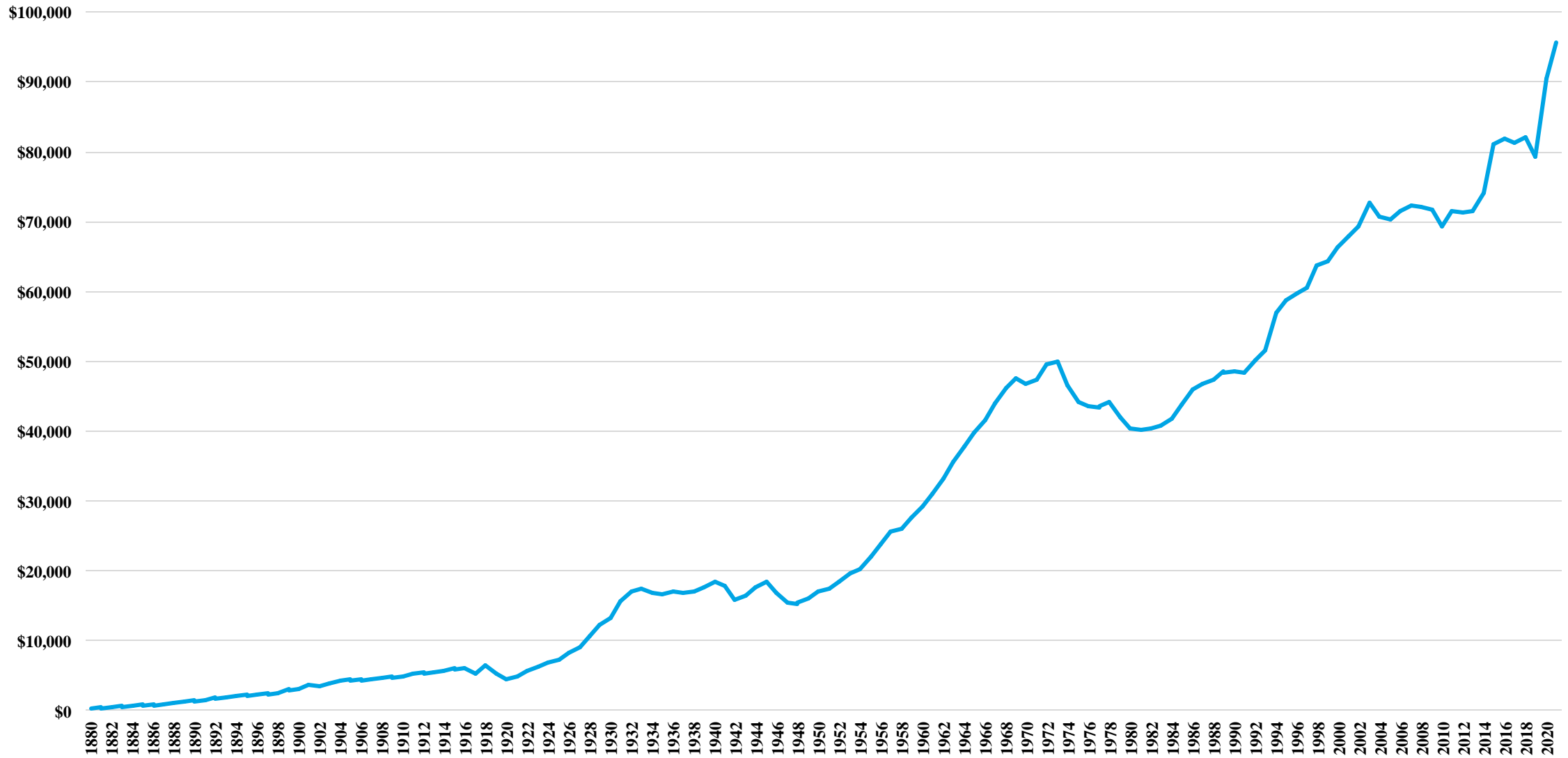
Topics to Be Discussed

- Brief Background on Life Insurance Industry
- Life Insurance Industry Benefits Paid
- Observations of Life Insurance in 2023

Annual Percentage Change in Life Insurance Death Benefits Paid, 1910-2021



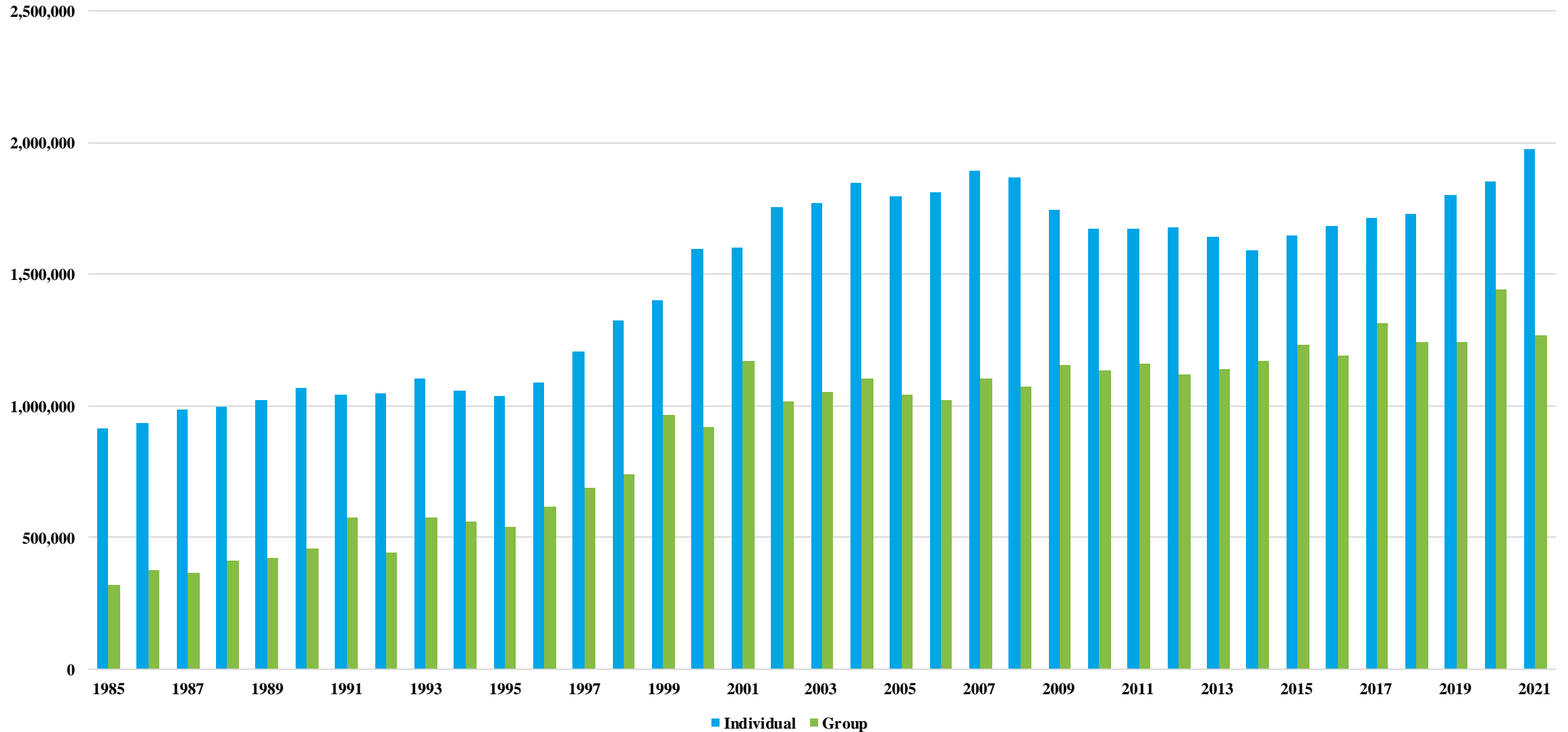
Life Insurance Death Benefits Paid, 1880-2021 (million 2020 USD)



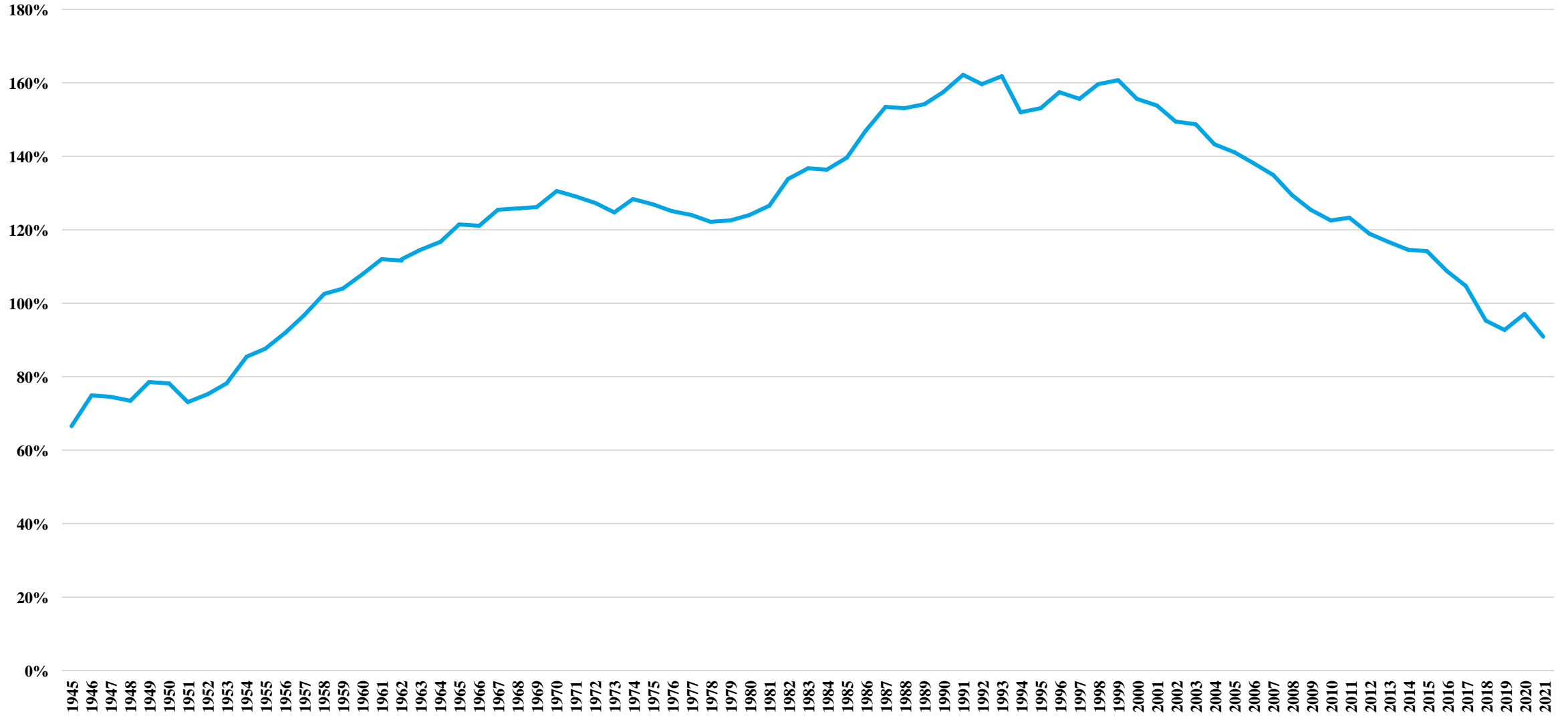
Life Insurer RBC Ratios, 2018-2021

	2018	2019	2020	2021
Average RBC Ratio	424%	433%	428%	443%
Percent of Companies with RBC Greater than 200% (by assets)	98.5%	99.1%	99.1%	99.1%

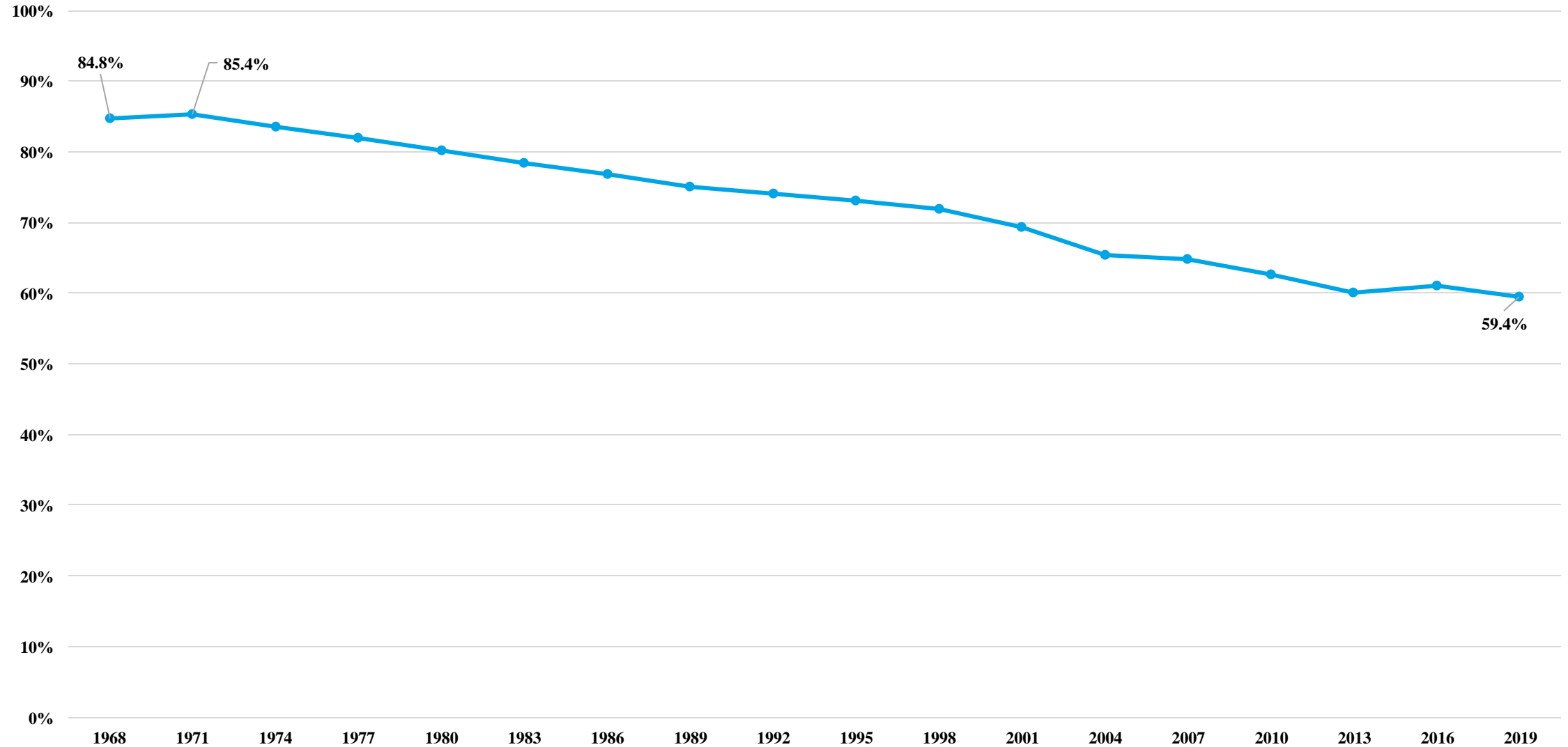
Individual and Group Life Insurance In-Force, 1985-2021 (million USD)



Life Insurance In-Force as a Percent of GDP, 1945-2021



Percent of Families Reporting ANY Life Insurance Coverage, 1968-2019



SOURCES:

ACLI, Life Insurers Fact Book, *various years*.

NAIC Annual Statements, *various years*.

The Spectator, Compendium of Official Life Insurance Reports, *various years*.

U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average [CPIAUCSL], retrieved from FRED, Federal Reserve Bank of St. Louis.

U.S. Federal Reserve, Survey of Consumer Finances, *various years*.

U.S. Department of Commerce, Historical Statistics of the United States, Colonial Times to 1957, Washington D.C., 1960.

Additional Observations, Discussion and Questions

Thank You

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Pat Reeder PatrickReeder@ACLI.com



MORTALITY TRENDS UPDATE

LIFE INSURANCE AND ANNUITIES (A) COMMITTEE

March 23, 2023

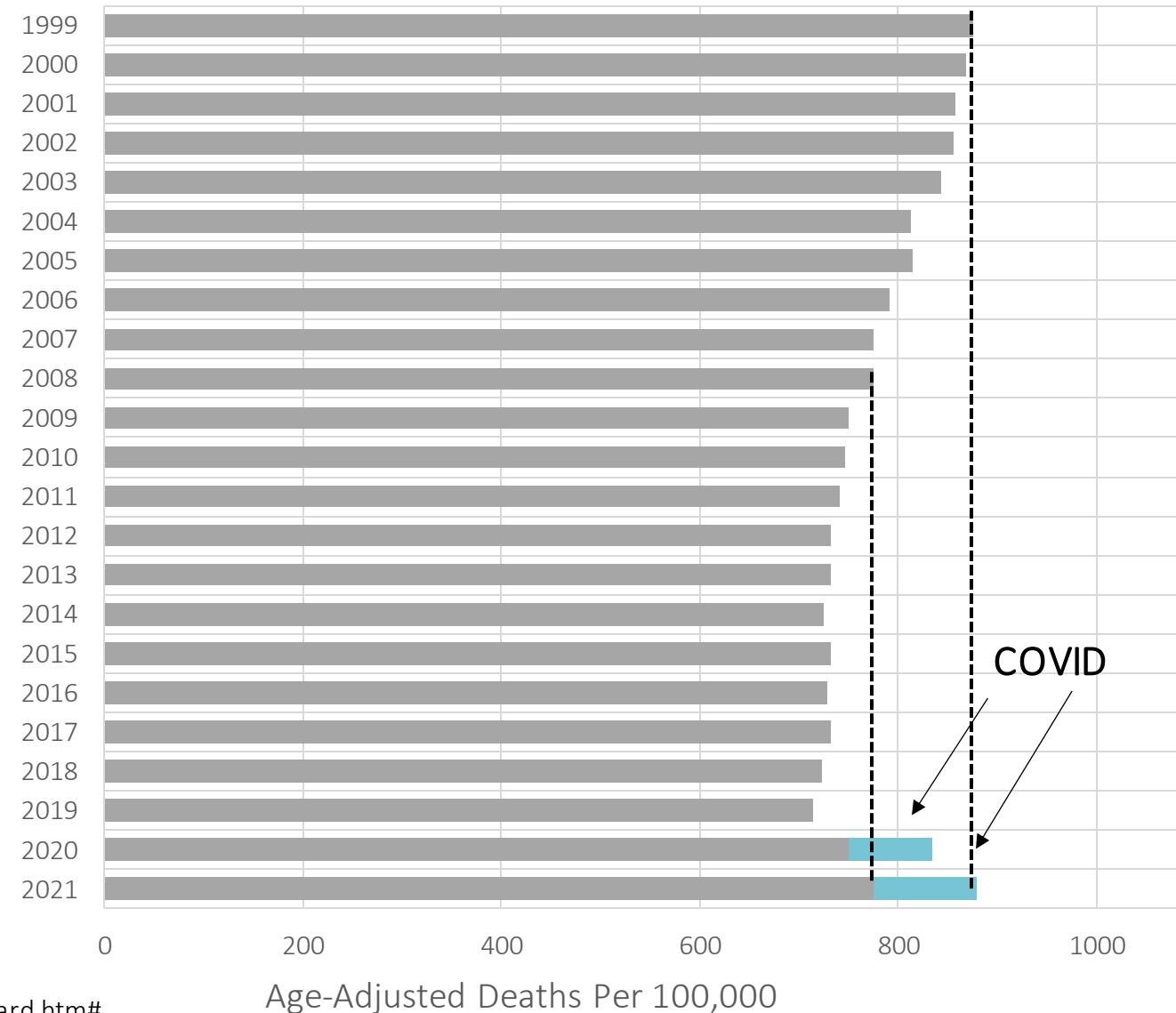
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Historical U.S. Population Mortality

- Population Trends

- 2019: 715 Deaths per 100,000
- 2020: 835 Deaths per 100,000
 - 16.8% increase over 2019; 4.9% with COVID removed
- 2021: 880 Deaths per 100,000
 - 5.3% increase over 2020; COVID still an impact
- 2022: Awaiting 4Q2022 Data; but full year could be near (or below?) results of 2020
- Population life expectancies in 2021 back to range of mid 1990's



Change in Mortality Rates by Cause of Death

- Heart disease: Increasing after many years of downward trends
- Cancer: First increase in mortality in last 22 years
- Accidents, diabetes, liver, hypertension, have continuing increases

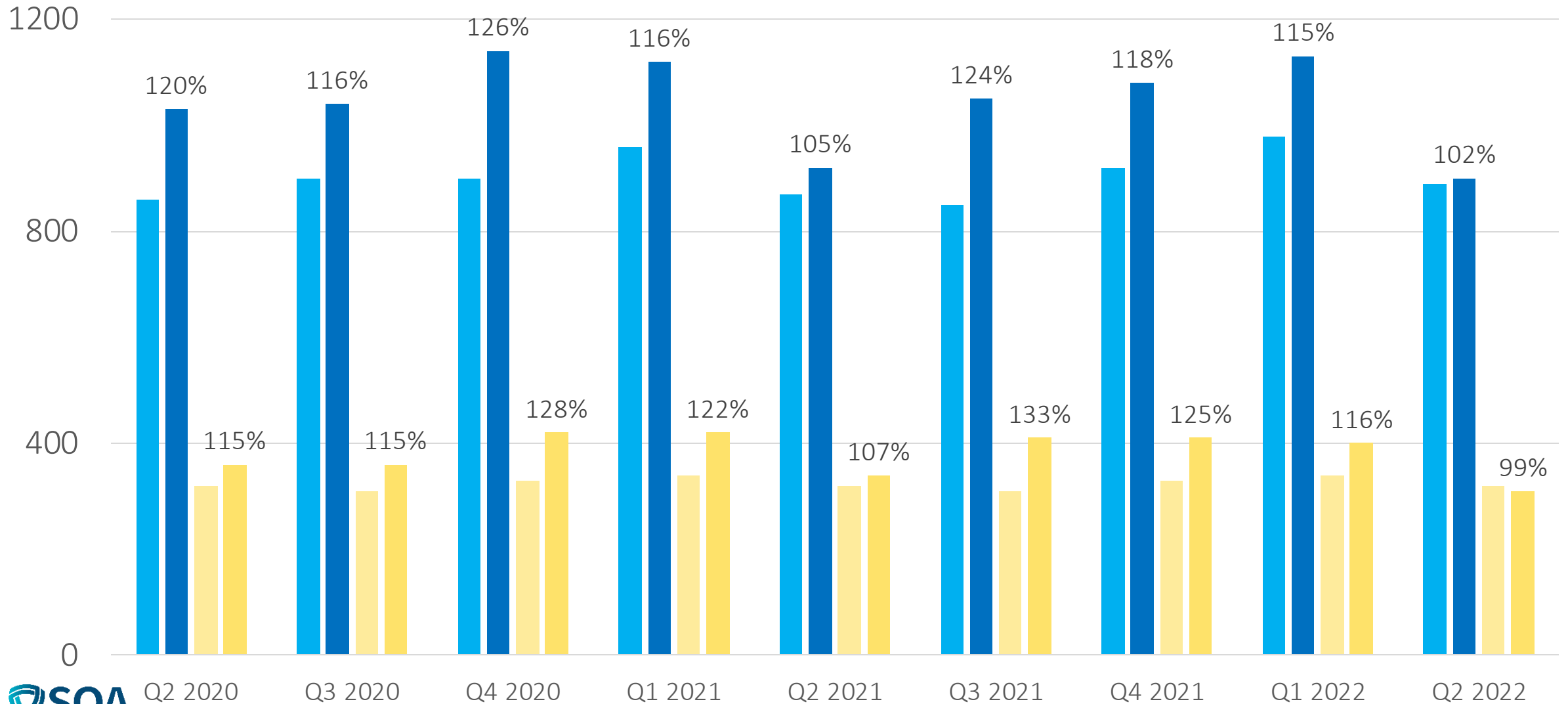
Cause of Death	2021 Deaths %	Change in Age-Adjusted Mortality Rates	
		2019-2020	2020-2021
Heart Disease	20.1%	4.1%	3.3%
Cancer	17.5%	-1.4%	1.7%
COVID	12.0%	-----	22.6%
Alzheimer's/Dementia	6.7%	7.9%	-4.5%
Accidents	6.5%	16.8%	12.4%
Stroke	4.7%	5.1%	5.9%
Pulmonary	4.1%	-4.6%	-4.7%
Diabetes	3.0%	14.9%	2.4%
Liver	1.6%	16.9%	9.1%
Suicide	1.4%	-3.0%	4.2%
Hypertension	1.2%	13.1%	6.1%
Flu & Pneumonia	1.2%	5.9%	-19.3%
Assault	0.8%	28.9%	5.1%
Other	19.3%	6.2%	6.2%
All CODs	100.0%	16.8%	5.3%

Awareness of Chronic Condition causes of death

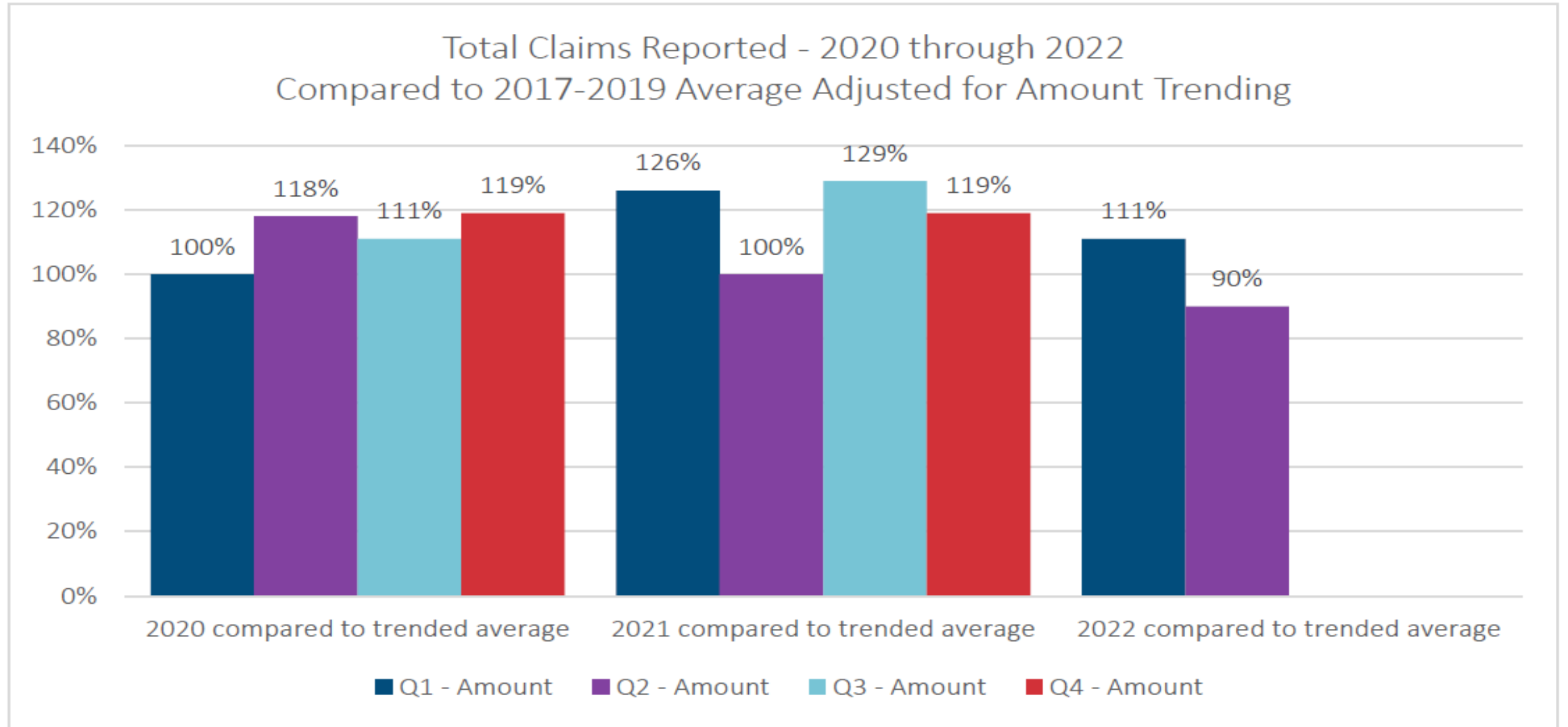
- Rates per 100,000 population; Age-Adjusted across population
- Chronic condition mortality deaths continue to be concerning through 2021... and also into 2022

Cause of Death	2017	2018	2019	2020	2021	Increase 2021 over 2019
Cancer	152.5	149.1	146.2	144.1	146.6	0.4%
Diabetes	21.5	21.4	21.6	24.8	25.4	17.6%
Liver	10.9	11.1	11.3	13.3	14.5	28.3%
Hypertension	9.0	8.9	8.9	10.1	10.7	20.2%

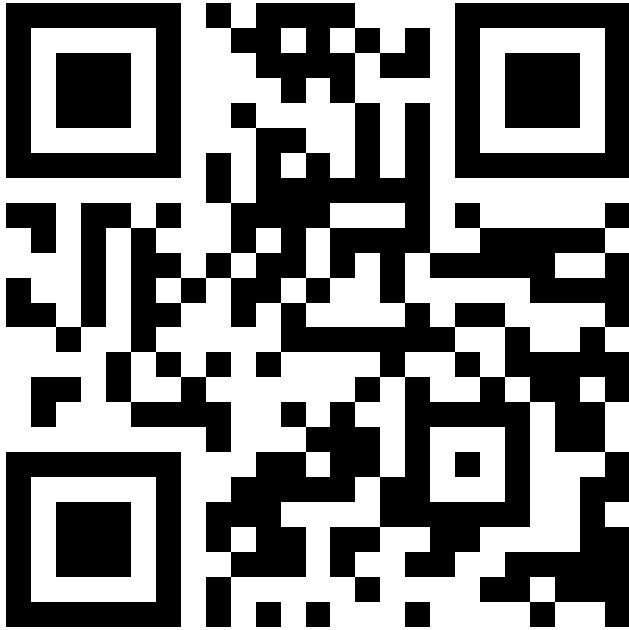
Population and Group Life Actual to Expected Mortality Trends Crude Mortality Rates per 100,000



RATIOS OF INDIVIDUAL LIFE INSURANCE TOTAL CLAIM AMOUNTS REPORTED COMPARED TO 2017-2019 AVERAGE, ADJUSTED FOR TREND IN CLAIM AMOUNTS REPORTED



SOA Research Institute Report References



US Population Mortality
Observations: Updated with
2021 Experience



U.S. Group Life
Mortality Trends



U.S. Individual Life
Mortality Trends

