Attachment One
Executive (EX) Committee and Plenary
08/15/2024

Report of the Executive (EX) Committee

The Executive (EX) Committee met Aug. 14, 2024. During this meeting, the Committee:

1. Adopted the report of the joint meeting of the Executive (EX) Committee and the Internal Administration (EX1) Subcommittee, which met Aug. 13 in regulator-to-regulator session, pursuant to paragraph 4 (internal or administrative matters of the NAIC or any NAIC member) of the NAIC Policy Statement on Open Meetings. During this meeting, the Committee and Subcommittee took the following action:
   A. Adopted its June 25, April 4, and March 16 minutes. During these meetings, the Committee and Subcommittee took the following action:
      i. Approved the employment agreement between the NAIC and Gary D. Anderson as Chief Operating Officer (CEO).
      ii. Approved the appointment of Gary D. Anderson to the National Insurance Producer Registry (NIPR) Board of Directors.
   B. Approved the following fiscal requests:
      i. Retention of a consultant to assist with CEO onboarding training.
      ii. Retention of a public relations firm to assist in communications campaigns.
      iii. Approved two full-time employees (FTEs) for the Member Services department.
      iv. Retention of a consultant to assist with the Property and Casualty Market Intelligence (PCMI) data call.
   C. Approved a recommendation to revise the zone funding methodology.
   D. Received a May year-to-date (YTD) financial update and overview of the preliminary 2025 budget.
   E. Approved the new 2025 Fall National Meeting site in Hollywood, FL.
   F. Approved the appointment of Director Chlora Lindley-Myers (MO) to the International Association of Insurance Supervisors (IAIS) Executive Committee.
   G. Approved the ratification of the memorandum of understanding between the Federal Insurance Office (FIO) and the NAIC.
   H. Approved the new 2026 Spring National Meeting site in San Diego, CA.
   I. Adopted the report of the Audit Committee, including its Aug. 1 and May 9 minutes. During these meetings, the Committee took the following action:
      i. Heard an overview of proposed 2025 revenues.
      ii. Received the June 30 financial update.
      iii. Reappointed RubinBrown as the financial audit firm to conduct the 2024 audit.
      iv. Approved a revision to the zone funding methodology.
      v. Affirmed the 2025 Audit Committee charter.
      vi. Heard an update on the Enterprise Resource Planning (ERP) project.
      vii. Heard an update on the 2025 budget calendar.
      viii. Received the 2023/2024 Service Organization Control (SOC) 1 and SOC 2 audit reports.
      ix. Heard a presentation on the 2024 operating reserve analysis.

J. Adopted the report of the Internal Administration (EX1) Subcommittee, including its May 30 minutes. During this meeting, the Subcommittee took the following action:
   i. Received the March 31 Long-Term Investment Portfolio report.
   ii. Received the March 31 Defined Benefit Portfolio report.
   iii. Received an update on the termination of the Defined Benefit Pension Plan.
K. Heard the CEO report.
L. Heard an update on the fiscals approved at the Commissioners' Mid-Year Roundtable.
M. Heard an update on the PCMI data call.

2. Adopted its June 25 and April 4 meeting reports. During these meetings, the Committee took the following action:
   A. Appointed Gary D. Anderson (NAIC Chief Executive Officer) to serve on the National Insurance Producer Registry (NIPR) Board of Directors.
   B. Received a 2024 financial update and overview of the preliminary 2025 budget.
   C. Selected Hollywood, FL, as the replacement site for the 2025 Fall National Meeting.
   D. Appointed Director Chlora Lindley-Myers (MO) to the International Association of Insurance Supervisors (IAIS) Executive Committee.

3. Adopted the reports of its task forces: 1) Climate and Resiliency (EX) Task Force; 2) Government Relations (EX) Leadership Council; and 3) Special (EX) Committee on Race and Insurance.

4. Adopted revisions to the NAIC Consumer Participation Plan of Operation.

5. Received a status report on model law development efforts for amendments to: 1) the *Model Regulation to Implement the Accident and Sickness Insurance Minimum Standards Model Act* (#171); 2) the *Public Adjuster Licensing Model Act* (#228); and 3) the *Privacy of Consumer Financial and Health Information Regulation* (#672).

6. Received reports from NIPR and the Interstate Insurance Product Regulation Commission (Compact).

Report of the Life Insurance and Annuities (A) Committee

The Life Insurance and Annuities (A) Committee met Aug. 14, 2024. During this meeting, the Committee:

1. Adopted its July 15 minutes. During this meeting, the Committee took the following action:
   a. Adopted its Spring National Meeting minutes.
   b. Adopted the 2025 revisions to the *Valuation Manual*.

2. Heard a federal update.

3. Adopted the report of the Life Actuarial (A) Task Force.

4. Adopted the report of the Accelerated Underwriting (A) Working Group, including its Aug. 6, July 11, June 13, and April 3 minutes and the *Accelerated Underwriting in Life Insurance Regulatory Guidance and Considerations* and *Market Regulation Handbook* referral. During these meetings, the Working Group took the following action:
   A. Discussed a work plan for completing a guidance document for state insurance regulators on accelerated underwriting (AU) in life insurance, along with a draft referral to the Market Conduct Examination Guidelines (D) Working Group to consider adding specific guidance to the *Market Regulation Handbook*.
   B. Reviewed drafts of the *Accelerated Underwriting in Life Insurance Regulatory Guidance and Considerations* and *Market Regulation Handbook* referral.
   C. Discussed comments received on the draft *Accelerated Underwriting in Life Insurance Regulatory Guidance and Considerations*.
   D. Adopted the draft *Accelerated Underwriting in Life Insurance Regulatory Guidance and Considerations* and the referral to the Market Conduct Examination Guidelines (D) Working Group.

5. Heard presentations from Securian Financial and Athene on illustrations.

6. Received an update from the Special (EX) Committee on Race and Insurance's Life Workstream, which included its adoption of the Financial Wellness Resource Guide and endorsement of a mandatory financial education course as a prerequisite to high school graduation. The Workstream also exposed a draft survey of life insurers' use of criminal history in underwriting for a 30-day public comment period ending Sept. 5.

Life Amendments Adopted by the Life Insurance and Annuities (A) Committee July 15, 2024
Health Amendments Adopted by the Health Insurance and Managed Care (B) Committee June 13, 2024
Pending Adoption by the joint Executive (EX) Committee and Plenary, Aug. 15, 2024

Amendments for the 2025 Valuation Manual

Life VM Amendment	Valuation Manual Reference	Valuation Manual Amendment Proposal Descriptions	LATF Adoption Date
2023-08	VM- 20 Section 7.D.7, VM-30 Section 3.B.5	Clarifies the allocation of negative interest maintenance reserves (IMR) for VM-20 and VM-30 and that non-admitted IMR is excluded from the allocation.	8/31/2023
2023-09	VM-20 Section 9.C.2.h	This amendment requires companies to apply historical mortality improvement rates, which may be negative.	10/5/2023
2023-11	VM-20 Section 8.C.17 and VM-21 Section 1.C.3	This amendment proposes removal of references to risk-based capital (RBC) in VM-20 and VM-21 that are inconsistent with the purpose, scope, and intended use of RBC to be consistent with improvements made in related sections of the VM-22 draft.	1/25/2024
2023-12	VM-01 and VM-30 Section 3.B	This amendment clarifies expectations on the reflection of equity return volatility in VM-30 cash-flow testing.	2/29/2024
2024-01	VM-01 "Qualified Actuary"	Model 820 specifically calls out a qualified actuary as a person “who meets the requirements specified in the valuation manual.” This amendment adds the requirement that "A qualified actuary must meet the specific qualification standard for providing a NAIC Annual Statement Opinion".	4/25/2024
2024-02	VM-G Governance in PBR Actuarial Report, VM-31 Section 3.C.7 and Sections 3.C.8 - 3.C.11, VM-31 Section 3.B.6	This amendment clarifies that documentation on VM-G applies to all products subject to principle-based reserves (PBR). Currently VM-G documentation is only required in the Life PBR Actuarial Report.	2/29/2024
2024-04	VM-20 Section 9.D.5	This amendment updates the industry lapse experience table used for minimally funded universal life with secondary guarantee (ULSG) policies to the term-to-100 lapse experience table published by the Canadian Institute of Actuaries in December 2021.	4/25/2024
2024-06	VM-22 Section 3.C.3	This amendment permits companies to elect to consistently determine statutory maximum valuation interest rates for non-jumbo contracts as if they were jumbo contracts, with prior approval of the domiciliary commissioner.	6/6/2024
2024-05	Valuation Manual II, Subsection 3: Deposit-Type Contracts	This amendment allows companies to consistently determine statutory maximum valuation interest rates monthly rather than annually for certain simple deposit-type contracts with prior approval of the domiciliary commissioner.	6/6/2024
2024-09	VM-21 Section 3.A and VM-21 Section 4.B.1	This amendment corrects the order of operations for the pre-tax IMR application in VM-21.	6/6/2024
2023-13	VM-M Sections 1 and 2, VM-31 Section 3.D.3, VM-20 Sections 3.C.1.h, 9.C.3.b and 9.C.3.g	This amendment requires the use of non-U.S. mortality tables for blocks of business issued in foreign countries covering insureds who are not residents of the U.S. These tables must be approved by LATF before being used for reserve purposes. This amendment also adds several annuity tables to VM-M.	6/13/2024
2024-07	VM-21 Section 6.C.2, VM-21 Section 6.C.6, VM-21 Section 6.C.9, VM-21 Section 11.B.3	This amendment makes updates to VM-21 standard projection amount maintenance expense, full surrender, and mortality assumptions.	6/13/2024
2024-08	VM-21 Section 4.B.3	This amendment clarifies the calculation of the Net Asset Earned Rate (NAER) on additional assets, providing additional detail on how the initial additional asset portfolio is constructed and how it is reinvested.	6/13/2024

APF 2023-08

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, FSA, FCAS, MAAA, Ph.D.

   Title of the Issue:
   Clarifying guidance for allocation of negative IMR.

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.D.7, VM-30 Section 3.B.5

   January 1, 2023 NAIC Valuation Manual

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

   See attached.

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

   Clarify allocation of negative IMR for VM-20 and VM-30; in particular, non-admitted IMR is excluded. Note that VM-21 Section 4.A.7 currently requires a treatment consistent with VM-30, and so additional guidance is not needed for VM-21.

* 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
05/22/23	SO		
Notes: APF 2023-08			

VM-20 7.D.7

7. Under Section 7.D.1, any PIMR balance allocated to the group of one or more policies being modeled at the projection start date is included when determining the amount of starting assets and is then subtracted out, under Section 4 and Section 5, as the final step in calculating the modeled reserves. The determination of the PIMR allocation is subject to the following:

a. The amount of PIMR allocable to each model segment is the approximate statutory interest maintenance reserve liability that would have developed for the model segment, assuming applicable capital gains taxes are excluded. The allocable PIMR may be either positive or negative.
b. In performing the allocation to each model segment, ~~the company shall use a reasonable approach to allocate~~ any portion of the total company IMR balance that is ~~disallowable~~ not admitted under statutory accounting procedures ~~(i.e., when the total company balance is an asset rather than a liability).~~shall first be removed. The company shall use a reasonable approach to allocate the total company balance, after removing any non-admitted portion thereof, between PBR and non-PBR business and then allocate the PBR portion among model segments in an equitable fashion.
c. The company may use a simplified approach to allocate the PIMR, if the impact of the PIMR on the minimum reserve is minimal.

VM-30 Section 3.B.5

5. An appropriate allocation of assets in the amount of the IMR, whether positive or negative, shall be used in any asset adequacy analysis. In performing the allocation, any portion of the total company IMR balance that is not admitted under statutory accounting procedures shall first be removed. Analysis of risks regarding asset default may include an appropriate allocation of assets supporting the asset valuation reserve; these AVR assets may not be applied for any other risks with respect to reserve adequacy. Analysis of these and other risks may include assets supporting other mandatory or voluntary reserves available to the extent not used for risk analysis and reserve support.

APF 2023-09

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, FSA, FCAS, MAAA, Ph.D.

   Title of the Issue:
   Add guidance on consistency of HMI and FMI rates.

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 9.C.2.h

   January 1, 2023 NAIC Valuation Manual

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

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

   Because mortality improvement may be negative, the requirement should be that HMI "shall" be applied to the company mortality rates not "may" be applied.

* 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
7/20/23, 10/5/23	SO		
Notes: 2023-09			

VM-20 9.C.2.h

h. Mortality improvement shall not be incorporated beyond the valuation date in the company experience mortality rates. However, historical mortality improvement from the central point of the underlying company experience data to the valuation date ~~may~~ shall be incorporated.

Guidance Note: Mortality improvement may be positive or negative (i.e., deterioration).

APF 2023-11

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, PhD, FSA, FCAS, MAAA

Title of the Issue:
Remove references to RBC in VM-20 and VM-21 that are inconsistent with the purpose, scope, and intended use of RBC and be consistent with improvements made in related Sections of the VM-22 draft.

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 8.C.17 and VM-21 Section 1.C.3

January 1, 2023 NAIC Valuation Manual

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

VM-20 Section 8.C.17:

17. In setting any margins required by Section 8.C.15 and Section 8.C.16 to reflect potential uncertainty regarding the receipt of cash flows from a counterparty, the company shall take into account the ratings~~,~~ ~~RBC ratio~~ or other available information related to the probability of the risk of default by the counterparty, as well as any security or other factor limiting the impact on cash flows.

VM-21 Section 1.C.3 (remove entire section, and renumber subsequent Section 1.C.4 to 1.C.3):

~~3. The risks not necessarily reflected in the calculation of reserves under these requirements are:~~

~~a. Those not reflected in the determination of RBC.~~

~~b. Those reflected in the determination of RBC but arising from obligations of the company not directly related to the contracts falling under the scope of these requirements, or their supporting assets, as described above.~~

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

A couple existing references to RBC in VM-20 and VM-21 are inconsistent with the RBC Preamble's description of the purpose, scope, and intended use (as well as confidentiality) of RBC.

Related to the VM-21 change, the "risk not necessarily reflected" is proposed to be removed in the VM-22 draft, as it was not necessary to have in addition to the "risks reflected" and "risks not reflected" sections. The "risks reflected" in VM-21 Section 1.C.1 already specifically states they are those "Directly related to the contracts falling under the scope of these requirements or their supporting assets."

Note that there are no cross-references to VM-21 Section 1.C.3 or 1.C.4 that need to be updated as a result of this change.

Dates: Received	Reviewed by Staff	Distributed	Considered
10/24	SO		
Notes: 2023-11			

APF 2023-12

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:
   Fred Andersen, FSA, MAAA and Ben Slutsker, FSA, MAAA

   Title of the Issue:
   Clarify expectations on reflection of equity return volatility in VM-30 cash-flow testing.

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-01

   VM-30 Section 3.B (new item 7 with items below renumbered)

   January 1, 2023 NAIC Valuation Manual

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

Add the following definition to VM-01

- The term "equity-like instruments" means assets excluding surplus notes, bond ETFs, and preferred stock ETFs that include the following:
  - Any assets that, for purposes of risk-based capital C-1 reporting, are in the category of common stock, i.e., have a 30% or higher risk-based capital charge.
  - Any assets that are captured on Schedule A or Schedule BA of the annual statement excluding bonds that receive bond-like designations.
  - Bond funds.

Add the following subsection 3.B.7. and renumber the items below:

7. When the form of asset adequacy analysis is cash-flow testing, the actuary should reflect how the volatility of investment returns for equity-like instruments may affect the asset adequacy results under moderately adverse conditions and shall not solely project the anticipated long-term average return (e.g., a single level assumption set to the long-term average).

   a. The following are examples of approaches that may be used to reflect the volatility of such returns:

      i. Stochastic modeling for equity returns, with accompanying analysis of risk metrics.

      ii. As relevant to capture the risk, including up, down, and/or volatile equity return scenarios for each given set of interest rate paths.

iii. Projecting one or more market drops, taking into consideration future points at which cash-flow testing results could be vulnerable to market downturns.

iv. Reflecting a level return assumption set equal to a tail risk metric, for example, setting investment returns to the average of the worst 30% of future scenarios, i.e., CTE70.

b. A qualitative description of why the equity return scenario used in asset adequacy analysis is moderately adverse in light of the company's current or reinvestment portfolio should be provided.

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

This is a next step after what was presented at the August 2023 NAIC meeting, where Actuarial Guideline 53 reviews revealed usage of flat, high, unchanging equity return assumptions for the length of 30+ year projections by many industry members.

Dates: Received	Reviewed by Staff	Distributed	Considered
11/30/23, 2/1/23	SO		
Notes: 2023-12			

APF 2024-01

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, PhD, FSA, FCAS, MAAA

Title of the Issue:
Qualified Actuaries should meet the special qualification standards, in addition to Appointed Actuaries.

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-01 definition of "Qualified Actuary"

January 1, 2024 NAIC Valuation Manual

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

VM-01 definition of "Qualified Actuary":

- The term "qualified actuary" means an individual who is qualified to sign the applicable statement of actuarial opinion in accordance with the Academy qualification standards for actuaries signing such statements and who meets the requirements specified in the Valuation Manual. ~~(Model #820 definition.)~~

  A qualified actuary must meet the basic education, experience and continuing education requirements of the Specific Qualification Standard for Statements of Actuarial Opinion, NAIC Life, Accident & Health, and Fraternal Annual Statement, as set forth in the *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States* (U.S. Qualifications Standards), promulgated by the Academy. An individual qualified actuary must be qualified with respect to the area(s) that they are providing a certification and/or opinion. For example, if there are separate life and variable annuity qualified actuaries providing the relevant certifications for VM-20 and VM-21, they each need to be qualified in their own respective area.

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

For reference, the Model 820 Definition of qualified actuary is:

- The term "qualified actuary" means an individual who is qualified to sign the applicable statement of actuarial opinion in accordance with the American Academy of Actuaries qualification standards for actuaries signing such statements and who meets the requirements specified in the valuation manual.

Currently, the VM-01 definition of qualified actuary just reiterates that definition. But, as Model 820 specifically calls out "who meets the requirements specified in the valuation manual" adding the specific language is consistent with Model 820.

It is surprising that this is not already the requirement. The complexity of PBR and the reliance on the PBR actuary calls for this requirement, but the United States Qualification Standard (USQS) currently only requires the specific qualification standard for an appointed actuary, not a qualified actuary. The American

Academy of Actuaries noted the USQS states that the NAIC or individual states may have additional requirements. So, a change to the Valuation Manual is needed to ensure PBR actuaries have the 15 hours of specific continuing education and the more detailed basic education (which can be based on exams or self-study). While most qualified actuaries likely already are satisfying this requirement and some may have interpreted this as the current requirement (and some serve as appointed actuaries as well), this clarification is important where regulators have identified some companies whose qualified actuaries are not as knowledgeable as they need to be. This change will be consistent with feedback given by regulators to those qualified actuaries regarding ongoing education.

Similarly, VM-30 allows the appointed actuary to rely on memoranda that are prepared and signed by actuaries that are "qualified actuary within the meaning of the VM-01 definition thereof, with respect to the areas covered in such memoranda".

Specific sections of the USQS are included below; note that all included topics are broadly applicable to PBR qualified actuaries and actuaries that the appointed actuary is relying on for sections of their own memoranda, as well as appointed actuaries. Therefore, while we have revised the edits to reflect that "individual qualified actuary must be qualified with respect to the area(s) that they are providing a certification and/or opinion" to absolutely ensure that no actuary is being held responsible for areas outside the scope of their work, this may be unnecessary due to the broad applicability of the general topic areas required by the specific qualification standard.

For reference, Section 3.1.1.1 of the USQS regarding Specific Qualification Standard basic education requirement:

> An actuary should successfully complete relevant examinations administered by the American Academy of Actuaries or the Society of Actuaries on the following topics: (a) policy forms and coverages, (b) dividends and reinsurance, (c) investments and valuations of assets and the relationship between cash flows from assets and related liabilities, (d) statutory insurance accounting, (e) valuation of liabilities, and (f) valuation and nonforfeiture laws.

For reference, Section 3.1.2 of the USQS regarding Specific Qualification Standard basic education requirement being satisfied through self-study:

> An actuary may also satisfy this basic education requirement by acquiring comprehensive knowledge of the applicable topics through responsible work and/or self-study. To comply with the basic education requirement through self-study, an actuary must obtain a signed statement from another actuary who is qualified to issue Statements of Actuarial Opinion under the specific qualification standard being met. This statement must indicate that the writer is familiar with an actuary's professional history and that an actuary has obtained sufficient alternative education to satisfy the basic education requirement for the specific qualification standard. A sample statement appears in appendix 2. This statement should be obtained before an actuary issues a Statement of Actuarial Opinion and should be retained by the actuary.

For reference, Section 3.3 of the USQS regarding Specific Qualification Standard continuing education requirement:

> To satisfy the Specific Qualification Standards, an actuary must obtain sufficient continuing education to maintain current knowledge of applicable standards and principles in the area of actuarial practice of the Statement of Actuarial Opinion. At a minimum, an actuary must complete 15 credit hours per calendar year of continuing education that is directly relevant to the topics identified in section 3.1.1. A minimum of 6 of the 15 hours must be obtained through experiences that involve interactions with outside actuaries or other professionals, such as seminars, in-person or online courses, or committee work that is directly relevant to the topics identified in section 3.1.1. Hours that satisfy the continuing education requirement of the Specific Qualification Standards may also be used to satisfy the continuing education requirement of the General

Qualification Standard. Hours of continuing education in excess of the annual requirement may be carried forward one year.

Dates: Received	Reviewed by Staff	Distributed	Considered
12/08/2023, 3/18/24	K.K, S.O.		
Notes: 2024-01			

APF 2024-02

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:
Francesco Ugo De Gobbi, ASA, MAAA, Texas Department of Insurance

Title of the Issue:
VM-G applies to all PBR, but documentation on VM-G is only provided in the Life PBR Actuarial Report.

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-31 Section 3.C.7 (to be deleted, and Sections 3.C.8 - 3.C.11 renumbered accordingly), VM-31 Section 3.B.6 (to be added, there are no subsequent sections to renumber)

January 1, 2024, NAIC Valuation Manual

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

VM-31 Section 3.C.7 (to be deleted, and Sections 3.C.8 - 3.C.11 renumbered accordingly):

~~Governance – A statement indicating that governance documentation, including that required by VM-G Section 2.A.5, VM-G Section 3.A.6 and VM-G Section 4.A.3, is available upon request.~~

VM-31 Section 3.B.6 (to be added, there are no subsequent sections to renumber):

Governance – A statement indicating that governance documentation, including that required by VM-G Section 2.A.5, VM-G Section 3.A.6 and VM-G Section 4.A.3, is available upon request.

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

The VM-31 report is missing VM-G documentation for VM-21. VM-31 Section 3.C (Life Summary): numeral 7 has a requirement on Governance, but there is no corresponding requirement in VM-31, section 3.E (VA Summary). This APF is to correct that apparent omission. Rather than repeating the requirement in both the Life and Variable Annuity reports, moving the requirement to the Executive Summary is the most efficient way to ensure the documentation is available in all cases.

Note: We have performed a search of the current Valuation Manual, and there are no current references to VM-31 Sections 3.C.7 - 3.C.11 that need to be updated for this change.

Dates: Received	Reviewed by Staff	Distributed	Considered
01/24/24	K.K		
Notes: 2024 - 02			

APF 2024-04

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, Ph.D., FSA, FCAs, MAAA, Texas Department of Insurance

Title of the Issue:
Update for more recent Term-to-100 lapse study.

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 9.D.5

January 1, 2024 NAIC Valuation Manual

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

5. For a universal life policy that guarantees coverage to remain in force as long as the secondary guarantee requirement is met and during projection periods in which the cash surrender value is zero or minimal, industry experience, for purposes of complying with Section 9.A.6, shall be the *Lapse Experience Under Term-to-100 Insurance Policies* published by the Canadian Institute of Actuaries in ~~September~~ December ~~2015~~2021. During projection periods in which the cash surrender value of such policy is zero or minimal, the assumption shall grade from credible company experience to the rates in the *Lapse Experience Under Term-to-100 Insurance Policies* published by the Canadian Institute of Actuaries in ~~September~~ December ~~2015~~ 2021 in five projection years from the last duration where substantially credible experience is available.

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

A more recent version of the CIA Term-to-100 study is available, at https://www.cia-ica.ca/app/themes/wicket/custom/dl_file.php?p=38215&fid=34433.

For the study, the CIA notes that there is less data overall, but substantially more data after the 25th policy year. They also note that lapse rates are uniformly lower after the first duration.

Dates: Received	Reviewed by Staff	Distributed	Considered
3/27/24	S.O.		
Notes: 2024-04			

APF 2024-06

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:
Allow jumbo rates for non-jumbo contracts with commissioner approval.

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-22 Section 3.C.3

January 1, 2024 NAIC Valuation Manual

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

VM-22 Section 3.C.3

Statutory maximum valuation interest rates for non-jumbo contracts are determined and published quarterly by the NAIC on the Industry tab of the NAIC website by the third business day of the quarter. For a given premium determination date, the statutory maximum valuation interest rate is the quarterly statutory maximum valuation interest rate published for the quarter in which the premium determination date falls.

a. For group contracts issued on or after Jan. 1, 2025, a company may elect to consistently determine statutory maximum valuation interest rates for non-jumbo contracts as if they were jumbo contracts.
b. For group contracts issued on or prior to Dec. 31, 2024, but on or after the operative date of VM-22, a company may elect to consistently determine statutory maximum valuation interest rates for non-jumbo contracts as if they were jumbo contracts if they made the same election for group contracts issued on or after Jan 1, 2025.
c. For individual contracts issued on or after Jan. 1, 2025, a company may elect to consistently determine statutory maximum valuation interest rates for non-jumbo contracts as if they were jumbo contracts.
d. For individual contracts issued on or prior to Dec. 31, 2024, but on or after the operative date of VM-22, a company may elect to consistently determine statutory maximum valuation interest rates for non-jumbo contracts as if they were jumbo contracts if they made the same election for individual contracts issued on or after Jan 1, 2025.

A company electing to use jumbo rates for non-jumbo contracts under the conditions in Section 3.C.3.a through Section 3.C.3.d above must first receive approval from the Commissioner of the state of domicile for such elections. Once a company has elected to use jumbo rates for non-jumbo contracts under the conditions in Section 3.C.3.a through Section 3.C.3.d above, the company shall continue to use jumbo rates for all such non-jumbo contracts for future valuations.

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

This is a follow up on SAPWG's letter that permitted practices do not apply to the minimum valuation requirements laid out in the Valuation Manual. A review confirmed that permitted practices on the Valuation Manual, including on VM-A and VM-C, are not common. The majority either 1) allow the IA method for AG35 business or 2) permit valuation rates to be determined more frequently under certain circumstances. These treatments are reasonable, but there should be a level playing field for all companies. So, these methods are proposed to be incorporated in the Valuation Manual. A separate APF is addressing the frequency of rate determination for funding agreements. The IA Method is being reviewed by SAPWG NAIC support staff, as it involves hedge accounting changes as well as reserve modifications for annuity business.

Dates: Received	Reviewed by Staff	Distributed	Considered
4/1/24, 5/6/24	K.K., S.O.		
Notes: 2024-06			

APF 2024-05

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:
ACLI and Rachel Hemphill, Texas Department of Insurance

Title of the Issue:
Minimum reserve requirements for deposit-type contracts with pre-defined cash flows and no withdrawal permitted that are not in scope of 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:

January 1, 2024, NAIC Valuation Manual, II. Reserve Requirements, Subsection 3: Deposit-Type Contracts

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.)

Subsection 3: Deposit-Type Contracts

A. This subsection establishes reserve requirements for all contracts classified as deposit-type contracts defined in SSAP No. 50 in the AP&P Manual.
B. Minimum reserve requirements for deposit-type contracts are those requirements as found in VM-A, VM-C and VM-22, as applicable.
C. For deposit-type contracts with pre-defined cash flows and no withdrawal permitted prior to the contract maturity date that are not in scope of VM-22, the company may elect to consistently determine statutory maximum valuation rates with the following adjustments to the requirements found in Model #820:
   1. The statutory maximum valuation rate shall be determined monthly;
   2. The reference rate shall be defined as the monthly average of the composite yield on seasoned corporate bonds, as published by Moody's Investors Service, Inc., for the month prior to contract issue; and
   3. The statutory maximum valuation rate shall be rounded to the nearest one-hundredth of one percent (1/100 of 1%).

   The company must receive approval from the Commissioner of the state of domicile before making such an election. Such an election may be made for contracts issued on or after Jan. 1, 2025, or for contracts issued on or after the operative date of the Valuation Manual, but once a company has made such an election, the company shall continue to determine statutory maximum valuation rates using the same methodology for future valuations.

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

Current Methodology
- The valuation rate is determined annually and applied on a calendar year basis.
- It is based on an annual average of interest rates ending on 6/30 of the issue year:
  Val Rate = 3% + Weight x (Reference Rate – 3%), rounded to the nearest 25bps, where:
  - Weight is based on Plan Type, duration, reserve basis, presence of a future interest guarantee.
  - Reference Rate is the average over a period of twelve (12) months, ending on June 30 of the calendar year of issue or purchase, of the MOODCAVG.

Rationale

- The monthly average rate better aligns with the yield on available assets and the interest rate environment at issue than the current valuation rate, which utilizes as the Reference Rate a twelve-month rolling average of the MOODCAVG ending on June 30 of the calendar year of issue.
- The monthly average rate is publicly available.
- The contracts are typically issued in a large size on a single day.
- Statutory reserve valuation rate is not known for the first half of the year.
- Does not result in appropriate valuation rates when there is significant movement in interest rates.
- Insurance companies can find it challenging to generate sufficient returns on new contracts in the current market to cover the higher regulatory reserve requirements.

Dates: Received	Reviewed by Staff	Distributed	Considered
03/26/2024, 4/3/24, 5/7/24	K. K, S.O.		
Notes: APF-2024-05			

APF 2024-09

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:
Correct order of operations for IMR application in VM-21, following AAA letter.

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-21 Section 3.A and VM-21 Section 4.B.1

January 1, 2024 NAIC Valuation Manual

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

VM-21 Section 3.A

The aggregate reserve for contracts falling within the scope of these requirements shall equal the SR (following the requirements of Section 4) plus the additional standard projection amount (following the requirements of Section 6)~~ less any applicable PIMR for all contracts not valued under the Alternative Methodology (Section 7),~~ plus the reserve for any contracts determined using the Alternative Methodology (following the requirements of Section 7).

VM-21 Section 4.B.1

For a given scenario, the scenario reserve is the sum of:

a. The greatest present value, as of the projection start date, of the projected accumulated deficiencies; and
b. The starting asset amount, less the allocated amount of PIMR per Section 4.D.1.a.

At the option of the company, the PIMR may be deducted from the aggregate reserve rather than the individual scenario reserves for valuation dates before January 1, 2026, but once a company elects to deduct PIMR from the scenario reserves, they must continue to do so for future valuations. When using the direct Iteration method, the scenario reserve will equal the final starting asset amount determined according to Section 4.B.4, less the allocated amount of PIMR per Section 4.D.1.a.

The scenario reserve for any given scenario shall not be less than the cash surrender value in aggregate on the valuation date for the group of contracts modeled in the projection.

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

This APF is to make the changes as noted in the May 2, 2024 AAA letter. A period of optional implementation was drafted, for LATF consideration, based on the AAA suggestion of a phase-in. An optional period seems cleaner than a phase-in, given the C3P2 mechanics.

Note that this APF will be distributed to both LATF and the Life RBC Working Group during exposure, as the change to deduct the PIMR from the scenario reserve not only impacts the reserve calculation (and so, indirectly the C3P2) but also directly impacts the CTE(98) calculation in LR027, as it impacts the underlying scenario reserves.

Dates: Received	Reviewed by Staff	Distributed	Considered
5/6/24	S.O.		
Notes: 2024-09			

APF 2023-13

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.

   Linda Lankowski, RGA, William Leung, MO DCI

   Annuity mortality tables and non-US lives mortality.

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-M Sections 1 and 2
   - VM-31 Section 3.D.3
   - VM-20 Sections 3.C.1.h, 9.C.3.b and 9.C.3.g

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-M:

Section 1: Valuation and Nonforfeiture Mortality Tables

J. 2012 Individual Annuity Reserve Valuation Table

1. Definitions

   a. "2012 IAR Table" means that generational mortality table developed by the Joint Academy/SOA Payout Annuity Table Team and containing rates, q_x^{2012+n}, derived from a combination of the 2012 IAM Period Table and Projection Scale G2, using the methodology stated in the "Application of the 2012 IAR Mortality Table" paragraph of Appendix A-821 of the AP&P Manual.

   b. "2012 Individual Annuity Mortality Period Life (2012 IAM Period) Table" means the Period Table containing loaded mortality rates for calendar year 2012. This table contains rates, q_x^{2012}, developed by the Joint Academy/SOA Payout Annuity Table Team and is shown in Appendices 1–2 of Appendix A-821 of the AP&P Manual.

   c. "Projection Scale G2 (Scale G2)" is a table of annual rates, $G2_x$, of mortality improvement by age for projecting future mortality rates beyond calendar year 2012. This table was developed by the Joint Academy/SOA Payout Annuity Table Team and is shown in Appendices 3–4 of Appendix A-821 of the AP&P Manual.

K. 2017 Commissioners Standard Guaranteed Issue Mortality Tables

1. "2017 Commissioners Standard Guaranteed Issue Mortality Table" (2017 CSGI) means that 2017 Guaranteed Issue basic ultimate mortality table with 75% loading, consisting of separate rates of mortality for male and female lives, as well as combined unisex rates, developed from the experience of 2005–2009 collected by the SOA. This table was adopted by the NAIC on Aug. 7, 2018 and is included in the NAIC Proceedings of the 2018 Summer National Meeting.

L. 1994 Group Annuity Reserving (1994 GAR) Table

1. “1994 GAR Table” means that mortality table developed by the Society of Actuaries Group Annuity Valuation Table Task Force and shown on pages 866-867 of Volume XLVII of the Transactions of the Society of Actuaries (1995).

M. 1983 Table a

1. “1983 Table ‘a’” means that mortality table developed by the Society of Actuaries Committee to Recommend a New Mortality Basis for Individual Annuity Valuation and adopted as a recognized mortality table for annuities in June 1982 by the National Association of Insurance Commissioners. [See 1982 Proceedings of the NAIC II, page 454.]

Section 2: Industry Experience Valuation Basic Tables

A. 2008 Valuation Basic Table (2008 VBT)

B. 2015 Valuation Basic Table (2015 VBT) The 2015 Valuation Basic Table is a valuation table without loads jointly developed by the Academy and SOA for use in determining a company’s prudent estimate mortality assumption for valuations of Dec. 31, 2015, and later. The table consists of the Primary table (Male, Female, Smoker, Nonsmoker and Composite), 10 Relative Risk tables for nonsmokers (Male and Female) and four Relative Risk tables for smokers (Male and Female). Rates for juvenile ages are included in the composite tables. The tables are on a select and ultimate and ultimate-only basis and are available on an age nearest and an age last birthday basis.

C. “2012 Individual Annuity Mortality Basic (2012 IAM Basic) Table” means the unloaded mortality table underlying the 2012 IAM Period Table. This was developed from the 2002 experience table, projected with improvement factors to 2012. The 2000-2004 Payout Annuity Mortality Experience Study includes experience for immediate annuities, annuitizations and life settlement options of individual life insurance and annuity death claims. The experience analyzed excluded substandard annuities, structured settlement annuities and variable payout annuities. The experience represented 16 companies over the exposure period. The result of these efforts was a 2002 experience table.

D. The 1994 Group Annuity Mortality Basic (GAM-94 Basic) Table, developed by the Society of Actuaries Group Annuity Valuation Table Task Force and shown on pages 886-887 of Volume XLVII of the Transactions of the Society of Actuaries (1995), is a static mortality table containing unloaded mortality rates for calendar year 1994. The central calendar year of the modified mortality experience is 1988. Mortality experience is projected from the central experience year of 1988 to central year 1994, to produce a 1994 Basic Table.

VM-31:

Section 3.D.3: Life Report Mortality

p. Non-US Mortality – Description and rationale for mortality tables used to value non-US blocks of business, pursuant to VM-20 Section 3.C.1.h and VM-20 Section 9.C.3.b.

i. At implementation and alongside with the five-year (or sooner) non-US mortality table update, provide:
   a) Valuation results before and after the update.
   b) Impact of how much the reserves increase or decrease when using a non-US mortality table instead of the otherwise prescribed US mortality table for all applicable groups of contracts issued to individuals residing outside of the US.
   c) Discussion and support for why mortality is higher or lower in the local jurisdiction than in the relevant US insured population.
   d) Reference to external studies or publications to provide support, whenever available.
   e) A summary of the material submitted to the Life Actuarial (A) Task Force for the approval of the non-US valuation mortality table, non-US industry mortality table and the non-US mortality improvement factors used to bring the non-US industry mortality tables forward or backward to the as of date of the non-US valuation mortality tables.

ii. At all reporting times, provide the disclosure and justification of the mortality improvement factors used to bring the non-US industry mortality table forward to the valuation date.

VM-20:

Section 3.C: Net Premium Reserve Assumptions

Section 3.C.1.h (new):

For a group of policies or certificates issued in foreign countries covering insureds who are not residents of the United States:

i. The company shall use a non-US valuation mortality table based on a non-US industry mortality table developed as described in Section 9.C.3.b.i. Companies using these tables shall seek approval from the Life Actuarial (A) Task Force by addressing to the chair of the Life Actuarial (A) Task Force. The non-US mortality tables that are to be used in the year-end YYYY valuation should be approved the Life Actuarial (A) Task Force before September of YYYY. If this timeline is not met, the company shall use the relevant non-US mortality tables used in the prior year; if there is no relevant prior year non-US mortality tables used, the company shall use the relevant US mortality tables.

ii. Appropriate mortality improvement factors shall be used to bring the non-US industry table forward or backward to the same as of date of the corresponding CSO table.

iii. Margins consistent with the purpose of US statutory reserve methods shall then be added to the (adjusted) unloaded mortality table. For example, the margins in the non-US valuation rate could be determined by a formula such as CSO rate/unloaded CSO rate x non-US (adjusted) industry rate.

iv. When a company uses such non-US valuation mortality table for one block of non-US business, the company shall consistently use the same or similarly developed non-US valuation tables for other non-US business.

v. The provisions in Section 3.C.1.f and 3.C.1.g still apply to the non-US valuation mortality table.

vi. It is the company's responsibility to keep the non-US mortality tables and non-US mortality improvement factors up to date. Starting with 2025, participating companies shall update the non-US mortality tables at least once every five years. A company may request the Life Actuarial (A) Task Force's approval to update sooner when an updated non-US mortality table becomes available.

vii. If requested by the Life Actuarial (A) Task Force, the applying company shall present the non-US tables and non-US mortality improvement factors in relation to the US tables and US mortality improvement factors without infringing any confidential information of the applying company. Confidential information may be presented in a Life Actuarial (A) Task Force regulators only meeting.

Guidance Note: NAIC staff shall consider whether it is appropriate to maintain and/or publish a list of such tables that have been approved.

Section 9.C.3 Determination of Applicable Industry Basic Tables

b. A modified industry basic table is permitted in a limited number of situations where an industry basic table does not appropriately reflect the expected mortality experience, such as joint life mortality, simplified underwriting, substandard or rated lives, or non-US residence. In cases other than modification of the table to reflect joint life mortality and non-US residence, the modification must not result in mortality rates lower than those in the industry basic table without approval by the insurance commissioner.

For blocks of policies or certificates issued in foreign countries covering insureds who are not residents of the United States:

i. the company shall use a relevant no load mortality table developed by the regulatory authority or the local actuarial society for the life insurance industry in the country of residence. When a relevant non-US industry table developed by the regulatory authority or the local actuarial society is not available, the company shall use any well-established industry table that is based on the experience of policies having the appropriate risk characteristics or create an industry table based on the lives having the appropriate risk characteristics.

Adjustments shall be made to include margins consistent with those included in the relevant VBT. These margins for industry experience tables are meant to cover lack of credibility, estimation error, and similar data risks, rather than conservatism. Such mortality tables must be approved by Life Actuarial (A) Task Force before being used for reserve purposes.

ii. When a company uses such non-US Industry mortality table for one block of non-US business, the company shall consistently use the same or similarly developed non-US Industry tables for other blocks of non-US business.

g. Mortality improvement shall not be incorporated beyond the valuation date in the industry basic table. However, historical mortality improvement from the date of the industry basic table (e.g., Jan. 1, 2008, for the 2008 VBT and July 1, 2015, for the 2015 VBT) to the valuation date shall be incorporated using the improvement factors for the applicable industry basic table as determined by the SOA, adopted by the Life Actuarial (A) Task Force and published on the SOA website, https://www.soa.org/research/topics/indiv-val-exp-study-list/ (Individual Life Insurance Mortality Improvement Scale – for Use with AG38/VM20 – 20XX) for US business. For blocks of policies or certificates issued in foreign countries covering insureds who are not residents of the United States, appropriate mortality improvement factors shall be used to bring the non-US industry table forward to the valuation date; such mortality improvement factors must be approved by the Life Actuarial (A) Task Force-before being used for reserve purposes.

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

1994 GAR and 1983 Table a will be needed for valuations using (proposed) VM-22 methodology.

Life insurance that is sold internationally is reinsured into the United States. Mortality for international insureds may vary significantly from that of US insurance markets. The Valuation Manual should be updated to allow for international mortality tables.

* 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
11/15/23, 11/17/23	S.O.		

Notes: 2023-13
LATF re-exposed 2023-13 on 5/23/24 with the edits to 1) strike the sentence “The first year of application is 2025, the first update is 2030.” from Section 3.C.1.h(vi) and 2) add a guidance note that states “NAIC staff shall consider whether it is appropriate to maintain and/or publish a list of such tables that have been approved.”
LATF adopted the 5/23 re-exposed APF 2023-13 on 6/13/24.

APF 2024-07

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:
VACRSG

Title of the Issue:
Make updates to VM-21 SPA assumptions that are out of date.

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-21 Section 6.C.2 (Maintenance Expenses), VM-21 Section 6.C.6 (Full Surrenders), VM-21 Section 6.C.9 (Mortality), VM-21 Section 11.B.3 (Mortality)

January 1, 2024 NAIC Valuation Manual

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

VM-21 Section 6.C.2 (Maintenance Expenses)

2. Maintenance Expenses

Maintenance expense assumptions shall be determined as the sum of (a) plus (b) if the company is responsible for the administration or (c) if the company is not responsible for the administration of the contract:

a. Each contract for which the company is responsible for administration incurs an annual expense equal to $100 multiplied by 1.025^(valuation year – 2015) in the first projection year, increased by an assumed annual inflation rate of 2.5% for subsequent projection years.

b. Seven basis points of the projected account value for each year in the projection.

c. Each contract for which the company is not responsible for administration (e.g., if the contract were assumed by the company in a reinsurance transaction in which only the risks associated with a guaranteed benefit rider were transferred) incurs an annual expense equal to $35 multiplied by 1.025^(valuation year – 2015) in the first projection year, increased by an assumed annual inflation rate of 2.5% for subsequent projection years.

Guidance Note: The framework adopted by the Variable Annuities Issues (E) Working Group includes the review and possible update of these assumptions every three to five years.

VM-21 Section 6.C.6 (Full Surrenders)

6. Full Surrenders

The full surrender rate for all contracts shall be calculated based on the Standard Table for Full Surrenders as detailed below in Table 6.3, except for simple 403(b) VA contracts and index-linked VA contracts with no guaranteed living benefits. The Standard Table for Full Surrender prescribes different full surrender rates depending on the contract year and the in-the-moneyness ("ITM") of the contract's guaranteed benefit.

VM-21 Section 6.C.6.f (New Section - Full Surrenders for ILVAs)

f. The full surrender rate for index-linked VA contracts with no guaranteed living benefits shall be:

i. In surrender charge period, or in policy years 1–3 for contracts without surrender charges, 3%.

ii. In the first year after the surrender charge period, 60%.

iii. In subsequent years or in policy years 4 and onwards for contracts without surrender charges, 15%.

VM-21 Section 6.C.6 (Table 6.3 – Standard Table for Full Surrenders)

ITM	In surrender charge period, or in policy years 1–3 for contracts without surrender charges	First year after the surrender charge period	Subsequent years, or in policy years 4 and onwards for contracts without surrender charges
Under 50%	4.0%	25.0%	15.0%
50–75%	3.0%	18.0%	10.0%
75–100%	2.5%	12.0%	7.0%
100–125%	2.5%	8.0%	4.5%
125–150%	2.5%	6.0%	3.0%
150–175%	2.0~~.5~~%	5.0%	2~~.5~~%
175–200%	2.0~~.5~~%	4.5%	~~2.0~~1.5%
Over 200%	2.0~~.5~~%	4.0%	~~2~~1.0%

VM-21 Section 6.C.9 (Mortality)

9. Mortality

The mortality rate for a contract holder with age x in year (2012 + n) shall be calculated using the following formula, where q_x denotes mortality from the 2012

IAM Basic Mortality Table multiplied by the appropriate factor (F_x) from Table 6.9 and $G2_x$ denotes mortality improvement from Projection Scale G2:

$$q_x^{2012+n} = q_x^{2012}(1 - G2_x)^n * F_x$$

Table 6.9

Attained Age (x)	F_x for VA with GLB		F_x for VA without GLB and with roll-up GDB		F_x for All Other	
	Male	Female	Male	Female	Male	Female
<=52	100%	95%	160%	150%	110%	105%
53	99%	95%	160%	152%	110%	106%
54	98%	95%	160%	154%	110%	107%
55	97%	95%	160%	156%	110%	108%
56	96%	95%	160%	158%	110%	109%
57	95%	95%	160%	160%	110%	110%
58	93.5%	93.5%	160%	160%	109%	109%
59	92%	92%	160%	160%	108%	108%
60	90.5%	90.5%	160%	160%	107%	107%
61	89%	89%	160%	160%	106%	106%
62	88%	88%	160%	160%	105%	105%
63	89%	88%	160%	159%	105%	104%
64	90%	88%	160%	158%	105%	103%
~~<=~~65	91%	88%~~80.0%~~	160%	157%	105%	102%~~100.0%~~
66	92%	88%~~81.5%~~	160%	156%	105%	101%~~102.0%~~
67	93%	88%~~83.0%~~	160%	155%	105%	100%~~104.0%~~
68	95%	~~84.5%~~90%	160%	154%	107%	~~106.0%~~101.5%
69	97%	~~86.0%~~92%	160%	153%	109%	~~108.0%~~103%
70	99%	~~87.5%~~94%	160%	152%	111%	~~110.0%~~104.5%
71	101%	~~89.0%~~96%	160%	151%	113%	~~112.0%~~106%
72	103%	~~90.5%~~98%	160%	150%	115%	~~114.0%~~108%
73	103.5%	~~92.0~~99.5%	158%	149%	115%	~~116.0%~~109%
74	104%	~~93.5~~101%	156%	148%	115%	~~118.0%~~110%
75	104.5%	~~95.0~~102.5%	154%	147%	115%	~~120.0%~~111%
76	104.5%	~~96.5~~103.5%	152%	146%	115%	~~119.0%~~112%
77	105%	~~98.0%~~105%	150%	145%	115%	~~118.0%~~113%
78	106.5%	106.5%~~99.5%~~	147%	143%	115%	~~117.0%~~113.5%
79	108%	108%~~101.0%~~	144%	141%	115%	114%~~116.0%~~
80	109.5%	109.5%~~102.5%~~	141%	139%	115%	114.5%~~115.0%~~
81	111%	111%~~104.0%~~	138%	137%	115%	114.5%~~114.0%~~
82	113%	~~105.5%~~113%	135%	135%	115%	115%~~113.0%~~
83	113%	113%~~107.0%~~	132%	132%	114.5%	114.5%~~112.0%~~
84	113%	113%~~108.5%~~	129%	129%	114%	114%~~111.0%~~
85	113%	113%~~110.0%~~	126%	126%	113.5%	113.5%~~110.0%~~
86	113%	113%~~110.0%~~	123%	123%	113.5%	113.5%~~110.0%~~
87	113%	113%~~110.0%~~	120%	120%	113%	113%~~110.0%~~

88	113%	113%~~110.0%~~	119%	119%	113%	~~110.0%~~113%
89	113%	113%~~110.0%~~	118%	118%	113%	~~110.0%~~113%
90	113%	113%~~110.0%~~	117%	117%	113%	~~110.0%~~113%
91	113%	113%~~110.0%~~	113%	116%	113%	~~110.0%~~113%
92	113%	113%~~110.0%~~	115%	115%	113%	~~110.0%~~113%
93	112.5%	112.5%~~110.0%~~	114%	114%	112.5%	~~110.0%~~112.5%
94	112%	112%~~110.0%~~	113%	113%	112%	~~110.0%~~112%
95	111.5%	111.5%~~110.0%~~	112%	112%	111.5%	~~110.0%~~111.5%
96	111%	111%~~109.0%~~	111%	111%	111%	~~109.0%~~111%
97	110%	110%~~108.0%~~	110%	110%	110%	~~108.0%~~110%
98	109%	109%~~107.0%~~	109%	109%	109%	~~107.0%~~109%
99	108%	108%~~106.0%~~	108%	108%	108%	~~106.0%~~108%
100	107%	107%~~105.0%~~	107%	107%	107%	~~105.0%~~107%
101	106%	106%~~104.0%~~	106%	106%	106%	~~104.0%~~106%
102	105%	105%~~103.0%~~	105%	105%	105%	~~103.0%~~105%
103	103.0%	103.0%~~102.0%~~	103.0%	103.0%	103.0%	~~102~~103.0%
104	101.0%	101.0%~~101.0%~~	101.0%	101.0%	101.0%	101.0%
>=105	100.0%	100.0%~~100.0%~~	100.0%	100.0%	100.0%	100.0%

VM-21 Section 11.B.3 (Mortality)

3. No Data Requirements

When little or no experience or information is available on a business segment, the company shall use expected mortality curves that would produce expected deaths no less than the appropriate percentage (F_x) from Table 11.1 of the 2012 IAM Basic Table with Projection Scale G2 for contracts with ~~no~~ VAGLBs, without VAGLB and with roll-up GDB and all other. ~~expected deaths no greater than the appropriate percentage (F_x) from Table 1 of the 2012 IAM Basic Mortality Table with Projection Scale G2 for contracts with VAGLBs~~. If mortality experience on the business segment is expected to be atypical (e.g., demographics of target markets are known to have higher [lower] mortality than typical), these "no data" mortality requirements may not be adequate.

$$q_x^{2012+n} = q_x^{2012}(1 - G2_x)^n * F_x$$

Table 11.1

~~Attained Age (x)~~	~~F_x for VA with GLB~~	~~F_x for All Other~~
~~<=65~~	~~80.0%~~	~~100.0%~~
~~66~~	~~81.5%~~	~~102.0%~~
~~67~~	~~83.0%~~	~~104.0%~~
~~68~~	~~84.5%~~	~~106.0%~~
~~69~~	~~86.0%~~	~~108.0%~~
~~70~~	~~87.5%~~	~~110.0%~~
~~71~~	~~89.0%~~	~~112.0%~~
~~72~~	~~90.5%~~	~~114.0%~~
~~73~~	~~92.0%~~	~~116.0%~~

~~74~~	~~93.5%~~	~~118.0%~~
~~75~~	~~95.0%~~	~~120.0%~~
~~76~~	~~96.5%~~	~~119.0%~~
~~77~~	~~98.0%~~	~~118.0%~~
~~78~~	~~99.5%~~	~~117.0%~~
~~79~~	~~101.0%~~	~~116.0%~~
~~80~~	~~102.5%~~	~~115.0%~~
~~81~~	~~104.0%~~	~~114.0%~~
~~82~~	~~105.5%~~	~~113.0%~~
~~83~~	~~107.0%~~	~~112.0%~~
~~84~~	~~108.5%~~	~~111.0%~~
~~85~~	~~110.0%~~	~~110.0%~~
~~86~~	~~110.0%~~	~~110.0%~~
~~87~~	~~110.0%~~	~~110.0%~~
~~88~~	~~110.0%~~	~~110.0%~~
~~89~~	~~110.0%~~	~~110.0%~~
~~90~~	~~110.0%~~	~~110.0%~~
~~91~~	~~110.0%~~	~~110.0%~~
~~92~~	~~110.0%~~	~~110.0%~~
~~93~~	~~110.0%~~	~~110.0%~~
~~94~~	~~110.0%~~	~~110.0%~~
~~95~~	~~110.0%~~	~~110.0%~~
~~96~~	~~109.0%~~	~~109.0%~~
~~97~~	~~108.0%~~	~~108.0%~~
~~98~~	~~107.0%~~	~~107.0%~~
~~99~~	~~106.0%~~	~~106.0%~~
~~100~~	~~105.0%~~	~~105.0%~~
~~101~~	~~104.0%~~	~~104.0%~~
~~102~~	~~103.0%~~	~~103.0%~~
~~103~~	~~102.0%~~	~~102.0%~~
~~104~~	~~101.0%~~	~~101.0%~~
~~>=105~~	~~100.0%~~	~~100.0%~~

Attained Age (x)	F_x for VA with GLB		F_x for VA without GLB and with roll-up GDB		F_x for All Other	
	Male	Female	Male	Female	Male	Female
<=52	100%	95%	160%	150%	110%	105%
53	99%	95%	160%	152%	110%	106%
54	98%	95%	160%	154%	110%	107%
55	97%	95%	160%	156%	110%	108%
56	96%	95%	160%	158%	110%	109%
57	95%	95%	160%	160%	110%	110%
58	93.5%	93.5%	160%	160%	109%	109%
59	92%	92%	160%	160%	108%	108%
60	90.5%	90.5%	160%	160%	107%	107%
61	89%	89%	160%	160%	106%	106%

62	88%	88%	160%	160%	105%	105%
63	89%	88%	160%	159%	105%	104%
64	90%	88%	160%	158%	105%	103%
65	91%	88%	160%	157%	105%	102%
66	92%	88%	160%	156%	105%	101%
67	93%	88%	160%	155%	105%	100%
68	95%	90%	160%	154%	107%	101.5%
69	97%	92%	160%	153%	109%	103%
70	99%	94%	160%	152%	111%	104.5%
71	101%	96%	160%	151%	113%	106%
72	103%	98%	160%	150%	115%	108%
73	103.5%	99.5%	158%	149%	115%	109%
74	104%	101%	156%	148%	115%	110%
75	104.5%	102.5%	154%	147%	115%	111%
76	104.5%	103.5%	152%	146%	115%	112%
77	105%	105%	150%	145%	115%	113%
78	106.5%	106.5%	147%	143%	115%	113.5%
79	108%	108%	144%	141%	115%	114%
80	109.5%	109.5%	141%	139%	115%	114.5%
81	111%	111%	138%	137%	115%	114.5%
82	113%	113%	135%	135%	115%	115%
83	113%	113%	132%	132%	114.5%	114.5%
84	113%	113%	129%	129%	114%	114%
85	113%	113%	126%	126%	113.5%	113.5%
86	113%	113%	123%	123%	113.5%	113.5%
87	113%	113%	120%	120%	113%	113%
88	113%	113%	119%	119%	113%	113%
89	113%	113%	118%	118%	113%	113%
90	113%	113%	117%	117%	113%	113%
91	113%	113%	113%	116%	113%	113%
92	113%	113%	115%	115%	113%	113%
93	112.5%	112.5%	114%	114%	112.5%	112.5%
94	112%	112%	113%	113%	112%	112%
95	111.5%	111.5%	112%	112%	111.5%	111.5%
96	111%	111%	111%	111%	111%	111%
97	110%	110%	110%	110%	110%	110%
98	109%	109%	109%	109%	109%	109%
99	108%	108%	108%	108%	108%	108%
100	107%	107%	107%	107%	107%	107%
101	106%	106%	106%	106%	106%	106%
102	105%	105%	105%	105%	105%	105%
103	103.0%	103.0%	103.0%	103.0%	103.0%	103.0%
104	101.0%	101.0%	101.0%	101.0%	101.0%	101.0%
>=105	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

VM-21 SPA expense assumption is updated to be consistent with the VM-22 draft, so that expense assumptions reflect inflation and so are kept current without requiring annual updates. Updating baseline inflation, as the historical composite CPI has exceeded Fed targets.

Mortality assumption update based on SOA recommendation.

Surrender assumption update based on regulator survey.

Dates: Received	Reviewed by Staff	Distributed	Considered
4/4/24	S.O.		
Notes: 2024-07 LATF exposed APF 2024-07 with exposure questions 5/16/24 to get feedback on a range of assumption options for VM-21 Section 6.C.6.f(i) and VM-21 Section 6.C.6.f.(ii). LATF adopted 2024-07 on 6/13/24 with the edits to VM-21 Section 6.C.6.f.i to read “In surrender charge period, or in policy years 1–3 for contracts without surrender charges, 3%.” and VM-21 Section 6.C.6.f.ii to read “In the first year after the surrender charge period, 60%.”			

APF 2024-08

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:
Jonah von der Embse, MAAA, FSA, CERA; Member, PBR Implementation Subcommittee
Dave Neve, MAAA, FSA, CERA; Member, PBR Implementation Subcommittee
Chanho Lee, MAAA, FSA; Member, PBR Implementation Subcommittee
Linda Lankowski, MAAA, FSA; Chairperson, PBR Implementation Subcommittee

The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 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.

Title of the Issue:
Changes to the calculation of the NAER on additional assets for VM-21.

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-21 Section 4.B.3 (Also applicable to the working draft of VM-22 Section 4.B.3, and would also apply to VM-20 if APF 2023-10 is adopted)

January 1, 2024, NAIC Valuation Manual

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

See attachment.

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

When discussing the NAER on additional assets, the VM's phrasing is vague on how the initial additional asset portfolio is constructed and how it is reinvested.

For the initial additional assets, the subcommittee believes that it is appropriate to modify the VM to add to the guidance note three different strategies of creating this portfolio, including specifying that one option—a pro-rata slice of the actual initial assets—would still be appropriate, as this is consistent with the Direct Iteration Method when solving for the initial assets. Additionally, we believe that it should be specified that the selection of assets to be included in the initial additional asset portfolio be the same across all scenarios. We believe this statement would prevent a situation where a company might allocate cash or different asset types to certain scenarios to produce a higher NAER on additional assets due to knowing the amount of accumulated deficiencies for each scenario.

For the reinvestment, we believe it is appropriate to add the phrase that the additional asset portfolio is also subject to the alternative investment strategy discussed in section 4.D.4.b. As currently drafted, the phrasing allows for enough ambiguity such that a company could reasonably state that it is following the alternative investment strategy for the actual reinvestment while the additional asset portfolio still follows the company best estimate strategy. To promote regulatory consistency with the Direct Iteration Method, we believe it should not be allowed.

Dates: Received	Reviewed by Staff	Distributed	Considered
4/24/24	S.O.		
Notes: 2024-08 LATF exposed for comment 5/30/24 with the word "total" replacing "starting" so that VM-21 Section 4.B.3.a.(i) read as "Pro-rata slice of the total asset portfolio". LATF adopted 2024-08 on 6/13/24 with the edit to strike the word "total" to read VM-21 Section 4.B.3.a.(i) as "Pro-rata slice of the asset portfolio".			

3. Determination of NAER on Additional Invested Asset Portfolio

a. The additional invested asset portfolio for a scenario is a portfolio of general account assets as of the valuation date, outside of the starting asset portfolio, that is required in that projection scenario so that the projection would not have a positive accumulated deficiency at the end of any projection year. This portfolio may include only (i) General Account assets available to the company on the valuation date that do not constitute part of the starting asset portfolio; and (ii) cash assets.

Additional invested assets should be selected in a manner such that if the starting asset portfolio were revised to include the additional invested assets, the projection would not be expected to experience any positive accumulated deficiencies at the end of any projection year. The additional invested asset portfolio can be comprised of one or more of the following:
(i) Pro-rata slice of the asset portfolio
(ii) Cash that is immediately reinvested
(iii) A combination of assets that would be transferred to the portfolio from the general account to cover a potential shortfall

It is assumed that the accumulated deficiencies for this scenario projection are known. Assets selected for the additional invested asset portfolio should be based on the same allocation methodology for all scenarios.

The company should be able to support that these additional assets are not double counted across various PBR calculations. For example, it would be inappropriate to assume the same asset was "transferred to the portfolio from the general account" for the same economic scenario for both VM-21 and VM-22.

~~**Guidance Note:**~~

~~Additional invested assets should be selected in a manner such that if the starting asset portfolio were revised to include the additional invested assets, the projection would not be expected to experience any positive accumulated deficiencies at the end of any projection year. The initial additional asset portfolio can be comprised of one or more of the following:~~
~~Pro-rata slice of the actual initial assets of the portfolio~~
~~Cash that is immediately reinvested~~

~~(i) A combination of assets that would be transferred to the portfolio from the general account to cover a potential shortfall~~

~~It is assumed that the accumulated deficiencies for this scenario projection are known. Assets selected for the initial additional asset portfolio should have the same methodology for all scenarios.~~

~~a.~~b. To determine the NAER on additional invested assets for a given scenario:

i. Project the additional invested asset portfolio as of the valuation date to the end of the projection period,

a) Investing any cash in the portfolio and reinvesting all investment proceeds using the company's investment policy, subject to the alternative investment strategy described in section 4.D.4.b.

b) Excluding any liability cash flows.

c) Incorporating the appropriate returns, defaults and investment expenses for the given scenario.

ii. If the value of the projected additional invested asset portfolio does not equal or exceed the accumulated deficiencies at the end of each projection year for the scenario, increase the size of the initial additional invested asset portfolio as of the valuation date, and repeat the preceding step.

iii. Determine a vector of annual earned rates that replicates the growth in the additional invested asset portfolio from the valuation date to the end of the projection period for the scenario. This vector will be the NAER for the given scenario.

~~If the projection results contain any extremely negative or positive NAER due to the depletion of assets in the denominator, the NAER shall be reset to a more appropriate discount rate, which may be carried out by imposing upper/lower limits or by using another approach, subject to actuarial judgement, that is appropriately prudent for statutory valuation.~~

Guidance Note: There are multiple ways to select the additional invested asset portfolio at the valuation date. Similarly, there are multiple ways to determine the earned rate vector. The company shall be consistent in its choice of methods, from one valuation to the next.

Health VM Amendment	Valuation Manual Reference	Valuation Manual Amendment Proposal Descriptions	HATF Adoption Date
2024-10	VM-26, Section 3.B	Updates the margins for credit disability insurance reserves based on the Society of Actuaries' "2023 Credit Disability Study Report"	5/13/24

APF 2024-10

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.

Christopher H. Hause, FSA, MAAA Principal at Hause Actuarial Solutions and Chair of the Society of Actuaries' Credit Insurance Experience Committee.

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:

Valuation Manual, section VM-26, Section 3.B. Contract Reserves for Credit Disability Insurance.

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.)

Please see attached redline and "clean" version of the proposed changes.

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

Credit Disability experience has gradually improved since the original (1997) credit disability study. The 2022 study indicates that the current valuation standard contains claim costs that are from 190% to 276% of actual claim cost experience, based on the SOA's "2023 Credit Disability Study Report." The variations in the range shown above occur by elimination period and occupation class distributions observed over the period studied (2014 through 2022). The proposed changes to VM-26 remove the 12% addition to the 1985 CIDA incidence rates for newly issued contracts, since the addition of the 12% constitutes a margin that is no longer needed or justified by experience.

* 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
5/13/24	S.O.		
Notes: 2024-10			

B. Contract Reserves

1. Contract reserves are required for all contractual obligations, which have not matured, of a company arising out of the provisions of a credit disability insurance contract consistent with claim reserves and unearned premium reserve, if any, held for their respective obligations.

2. The methods and procedures for determining contract reserves for credit disability insurance must be consistent with the methods and procedures for claim reserves for any contract, unless appropriate adjustment is made to assure provision for the aggregate liability. The date of incurral must be the same in both determinations.

3. The morbidity assumptions for use in determining the minimum standard for valuation of single premium credit disability insurance contract reserves are:

a. For contracts issued to be effective prior to January 1, 2025:

i. For plans having less than a 15-day elimination period, the 1985 Commissioners Individual Disability Table A (85CIDA) with claim incidence rates increased by 12%.

ii. For plans having greater than a 14-day elimination period, the 85CIDA for a 14-day elimination period with claim incidence rates increased by 12%.

b. For contracts issued to be effective January 1, 2025 and later:

i. For plans having less than a 15-day elimination period, the 1985 Commissioners Individual Disability Table A (85CIDA).

ii. For plans having greater than a 14-day elimination period, the 85CIDA for a 14-day elimination period.

4. The minimum contract reserve for credit disability insurance, other than single premium credit disability insurance, is the gross pro-rata unearned premium reserve.

5. The maximum interest rate for use in determining the minimum standard for valuation of single premium credit disability insurance contract reserves is the maximum rate allowed in Model #820 for the valuation of whole life insurance issued on the same date as the credit disability insurance contract.

6. A company shall not use a separate mortality assumption for valuation of single premium credit disability insurance contract reserves since premium is refunded upon death of the insured.

7. Use of approximations is permitted, such as those involving age groupings, average amounts of indemnity and grouping of similar contract forms; the computation of the reserve for one contract benefit as a percentage of, or by other relation to, the aggregate contract reserves exclusive of the benefit or benefits so valued; and the use of group methods and approximate averages for fractions of a year or otherwise.

8. Annually, a company shall conduct a review of prospective contract liabilities on contracts valued by tabular reserves to determine the continuing adequacy and reasonableness of the tabular reserves. The company shall make appropriate increments to such tabular reserves if such tests indicate that the basis of such reserves is not adequate.

Attachment Four
Executive (EX) Committee and Plenary
8/15/2024

Report of the Health Insurance and Managed Care (B) Committee

The Health Insurance and Managed Care (B) Committee will meet Aug. 15, 2024. During this meeting, the Committee anticipates it will:

1. Adopt its Spring National Meeting minutes.

2. Adopt its July 26 minutes. During this meeting, the Committee took the following action:
   A. Adopted the Regulatory Framework (B) Task Force's revised 2024 charges, which revised the 2024 charges for the Pharmacy Benefit Manager Regulatory Issues (B) Subgroup.

3. Adopt its June 13 minutes. During this meeting, the Committee took the following action:
   A. Adopted revisions to *Actuarial Guideline LI—The Application of Asset Adequacy Testing to Long-Term Care Insurance Reserves* (AG 51).
   B. Adopted revisions to Valuation Manual (VM)-26, Section 3B—Contract Reserves for Credit Disability Insurance.
   C. Adopted the Health Actuarial (B) Task Force's revised 2024 charges.
   D. Discussed the Health Actuarial (B) Task Force's findings from its review and discussion of an issue the Committee referred to the Task Force late last year on how possible changes to the cost-sharing reduction (CSR) subsidy, like changes to silver loading, could impact plan options and costs to consumers.
   E. Heard a presentation from the Center for Insurance Policy and Research (CIPR) on findings from a case study the CIPR completed as part of its Network Adequacy Project: Compensation of Travel Costs for In-Network Care in Mississippi.

4. Adopt the report of the Consumer Information (B) Subgroup, including its July 29 minutes. During this meeting, the Subgroup took the following action:
   A. Adopted its June 18 minutes. During this meeting, the Subgroup took the following action:
      i. Discussed developing two guides on prior authorization: 1) a consumer guide; and 2) a state insurance regulator guide.
      ii. Decided to proceed with developing a consumer guide on prior authorization and deferred deciding on developing a state insurance regulator guide on prior authorization.
   B. Discussed and adopted a consumer guide on prior authorization.

5. Adopt the report of the Health Innovations (B) Working Group, which did not meet at the Summer National Meeting but plans to meet following the Summer National Meeting.

6. Adopt the report of the Health Actuarial (B) Task Force.

7. Adopt the report of the Long-Term Care Insurance (B) Task Force.

8. Adopt the report of the Regulatory Framework (B) Task Force.

9. Adopt the report of the Senior Issues (B) Task Force.

10. Hear a federal update on various issues of interest to the Committee.

11. Hear a presentation from the consumer perspective on recent state activity related to the prior authorization process, including potential improvements to the process for the benefit of consumers and providers based on such state activity. The presenters also plan to discuss recent federal activity on this issue, which states could use as a guide to inform their future activities. Additionally, the presenters plan to discuss potential next steps that state insurance regulators and the Committee can take, such as: 1) charging the Consumer Information (B) Subgroup to modify and use the Subgroup's new consumer prior authorization guide to educate consumers; 2) forming a new Committee working group to share information and work on implementation, best practices and enforcement; and 3) partnering with the Innovation, Cybersecurity, and Technology (H) Committee on the use of artificial intelligence (AI) in the prior authorization process.

12. Hear presentations from the Center on Health Insurance Reforms (CHIR) and America's Health Insurance Plans (AHIP) on health cost transparency. The CHIR presentation plans to focus on state-level options to improve transparency in coverage (TiC) data collected as a result of the federal TiC requirements. The AHIP presentation plans to provide an overview of the federal TiC requirements, including an implementation timeline. In addition, AHIP plans to discuss what actions states can take to address the issue, such as: 1) prioritizing solutions that provide direct consumer value; 2) considering approaches to expand consumer awareness and education of tools; and 3) avoiding single-state solutions.

13. Hear an update from the federal Center for Consumer Information and Insurance Oversight (CCIIO) on recent activities of interest to the Committee.

14. Discuss the Committee member priorities identified at the beginning of the year that have already been addressed and priorities to be addressed during future Committee meetings.

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

MEMORANDUM

TO: Health Insurance and Managed Care (B) Committee

FROM: Long-Term Care Insurance (B) Task Force

DATE: March 16, 2024

RE: Amendment to AG 51

The Health Risk-Based Capital (E) Working Group established the Health Test Ad Hoc Group in 2018 to review the health test language within the Annual Statement Instructions due to inconsistencies in reporting of health business across the different blanks, as well as a significant amount of health business reported on the life and fraternal blank. Through the evaluation and discussion of changes to the health test, there was a question brought up as to whether an entity would still be required to comply with *Actuarial Guideline LI—The Application of Asset Adequacy Testing to Long-Term Care Insurance Reserves* (AG 51) requirements for long-term care insurance (LTCI) business if the entity moved from the life blank to the health blank.

In consideration of the Health Risk-Based Capital (E) Working Group's request for a sentence to be added to AG 51 to clarify the applicability to insurers filing health blanks, the Long-term Care Actuarial (B) Working Group adopted an amendment to AG 51's scope paragraph (**Attachment A**) on Nov. 20, 2023, that would indicate that regardless of the blank the entity files, AG 51 filing is required by the entity if the criteria stated in the Guideline are met. The Health Actuarial (B) Task Force adopted the amendment on Feb. 20, 2024. The Long-Term Care Insurance (B) Task Force adopted the amendment on March 16, 2024.

The Long-Term Care Insurance (B) Task Force requests the Committee consider adopting the amendment to AG 51.

Washington, DC 1101 K Street N.W. Suite 650, Washington, DC 20005 p | 202 471 3990
Kansas City 1100 Walnut Street, Suite 1500, Kansas City, MO 64106-2197 p | 816 842 3600
New York One New York Plaza, Suite 4210, New York, NY 10004 p | 212 398 9000
www.naic.org

Amendment Adopted by:
Long-term Care Actuarial (B) Working Group, Nov. 20, 2023
Health Actuarial (B) Task Force, Feb. 20, 2024
Long-term Care Insurance (B) Task Force, March 16, 2024
Adopted by the Health Insurance and Managed Care (B) Committee, June 13, 2024

Actuarial Guideline LI

THE APPLICATION OF ASSET ADEQUACY TESTING TO LONG-TERM CARE INSURANCE RESERVES

Background

The *Health Insurance Reserves Model Regulation (#010)* and the *NAIC Valuation Manual (VM-25)* contain requirements for the calculation of long-term care insurance (LTC) reserves. Regulators have observed a lack of uniform practice in the implementation of tests of reserve adequacy and reasonableness of LTC reserves. The reserve adequacy testing required by Model #10 and VM-25 does not provide regulators comfort as to the reserve adequacy of companies with material blocks of LTC business. As such, regulators must rely upon asset adequacy analysis required by the NAIC Valuation Manual (*VM-30*) to evaluate the solvency position of companies with sizable blocks of LTC business. This Guideline is intended to provide uniform guidance and clarification of requirements for the appropriate support of certain assumptions for the asset adequacy testing applied to a company's LTC block of contracts. In particular, this Guideline:

(1) Specifies that the appropriate form of asset adequacy analysis may be in the form of a gross premium valuation or in a more robust form, such as cash-flow testing, with Actuarial Standards of Practice providing guidance in this area;

(2) Clarifies the type of adequacy testing methods that must be used for aggregation with other blocks of business to be allowed for asset adequacy analysis purposes;

(3) Requires a uniform approach to supporting acceptable assumptions regarding future LTC premium rate increases;

(4) Provides requirements for documentation of assumptions associated with all key LTC risks; and

(5) Provides requirements for documentation of standalone LTC asset adequacy testing results.

Note: It is anticipated that the requirements contained in this Guideline will be incorporated into the *NAIC Valuation Manual* (VM-30) at a future date, effective for a future valuation year. This Guideline will cease to apply to annual statutory financial statements at the time the corresponding VM-30 requirements become effective.

Text

1. Effective Date

This Guideline shall be effective for reserves reported with the December 31, 2017 and subsequent annual statutory financial statements.

2. Authority

Pursuant to Section 1, paragraph 3, of *VM-30* of the *NAIC Valuation Manual*, the commissioner shall have the authority to specify specific methods of actuarial analysis and actuarial assumptions when, in the commissioner's judgment, these specifications are necessary for an acceptable opinion to be rendered relative to the adequacy of reserves and related items.

3. Scope

This Guideline shall apply to a company with over 10,000 inforce lives covered by long-term care insurance contracts as of the valuation date regardless of which Annual Statement blank (Health, Life/Accident/Health & Fraternal, or Property/Casualty) the company files with its domiciliary state's insurance regulatory authority. All long-term care insurance contracts, whether directly written or assumed through reinsurance are included. Accelerated death benefit products or other combination products where the substantial risk of the product is associated with life insurance or an annuity are not subject to this Guideline.

4. Asset Adequacy Analysis of LTC Business

A. As stated in Actuarial Standard of Practice (ASOP) No. 22, multiple asset adequacy analysis methods, including cash-flow testing and gross premium valuation, are available to actuaries for this analysis.

The method of analysis used for LTC shall conform with ASOP No. 22 in recognition of the typical significant asset- and liability-related risks associated with LTC.

B. Asset adequacy analysis specific to all inforce LTC business, and without consideration of results for other block of business within the company, must be performed for valuations associated with the December 31, 2017 and subsequent annual statutory financial statements. The analysis shall comply with applicable Actuarial Standards of Practice, including standards regarding identification of key risks. Material assumptions associated with the LTC business shall be determined testing moderately adverse deviations in actuarial assumptions.

C. When determining whether additional reserves are necessary:

1. A reserve deficiency in the LTC block may be aggregated with sufficiencies in the company's other blocks of business for the purposes of developing an actuarial opinion, if cash-flow testing is used for both the LTC business and for all significant blocks of non-LTC business within a company. If a reserve deficiency in the LTC block is not offset with sufficiencies in the company's other blocks of business, then additional reserves shall be established as required by section 2.C.2. of *VM-30*.

2. If cash-flow testing is not used for testing of the LTC business, then a reserve deficiency revealed from another method, e.g., a gross premium valuation, utilized for purposes of asset adequacy analysis of the LTC block under this Guideline shall not be offset with sufficiencies in the company's other blocks of business. The additional reserves under this Guideline shall be established based only upon the adequacy of the reserves in the LTC block.

D. When determining the effect of investment returns or the time value of money:

1. In the case where cash-flow testing is used, the company must allocate investment income to the LTC block of business consistently with the way investment income generated by the General Account is managed. If, however, a segment of the

General Account is used to manage the investment risk for LTC business, the investment income generated by assets from that segment should be appropriately represented within the asset adequacy analysis.

2. In the case where a gross premium valuation method is used or asset cash flows are not explicitly modeled, the discount rate used by the actuary must reflect consideration of the yield on current assets held to support the liability as well as future yields on assets purchased with future premium income and reinvestments or anticipated divesture of existing assets.

E. The analysis shall only anticipate premium rate increases based upon a rate increase plan that is documented, is supported by and has been approved by management, is highly likely to be undertaken, and contains rate increase requests and timelines by jurisdiction. The assumptions used in the analysis should reflect a reasonable estimate of regulatory approved amounts and implementation timelines.

5. Documentation Required

The documentation requirements below are to be incorporated as a separate section of the appointed actuary's Actuarial Memorandum required by the *VM-30* or in a special Actuarial Memorandum containing LTC-specific information and shall be submitted to the commissioner of the company's state of domicile. The separate section of the companywide Actuarial Memorandum or the special Actuarial Memorandum shall be available to other state insurance commissioners in which the company is licensed upon request to the company. The confidentiality provisions regarding the Actuarial Memorandum contained in *VM-30* are applicable to the separate section of the Actuarial Memorandum and to the special Memorandum.

A. Results of the asset adequacy analysis of the LTC business shall be reported and documented in the separate section of the Actuarial Memorandum or the special Memorandum, as appropriate.

B. Assumptions on mortality shall be documented to state the reference standard valuation table, if applicable, and explicitly cite adjustments, select factors, and mortality improvement factors, where applicable. If a reference standard valuation table is not used in setting the mortality assumption, then a table of rates and comparison of the applied rates to rates from an unmodified standard mortality table for sample issue ages shall be provided. A summary of experience or other actuarial support of assumptions used shall be documented.

C. Assumptions on voluntary lapse shall be documented in table format by duration band and by other factors such as gender, marital status, with versus without inflation rider, and length of benefit period impacting the lapse assumption, where applicable. A summary of experience or other support of assumptions shall be documented.

D. Assumptions on morbidity shall be documented and actuarial support of the assumption shall be provided. If an outside source is used as the basis for morbidity assumptions, then the rationale for the applicability of that source and any adjustments to the factors from that source shall be documented.

E. Assumptions on investment returns and interest rates shall be documented. If a simplified approach is applied, such as implicit reflection of projected investment returns through the use of discount rates in a gross premium valuation as contemplated in Section 4.D.2., then justification shall be provided.

F. Any rate increases already approved shall be documented by jurisdiction with approved implementation timelines. Assumptions on future rate increases shall be documented by policy form or policy grouping. Such documentation should adequately describe the way in which future rate increase assumptions are developed. Unless the appointed actuary has operational responsibility for carrying out the rate increase plan specified in Section 4.E., the Memorandum shall contain a signed and dated reliance statement from the person with operational responsibility for carrying out such actions that the rate increase plan(s) provided to the appointed actuary appropriately reflects management's plan.

G. Documentation of any other material assumptions shall be provided.

H. Documentation shall be provided for assumptions that have significantly changed from the prior year's analysis.

Report of the Property and Casualty Insurance (C) Committee

The Property and Casualty Insurance (C) Committee will meet Aug. 15, 2024. During this meeting, the Committee anticipates it will:

1. Adopt its Spring National Meeting minutes.

2. Adopt the following Task Force and Working Group reports:
   A. Casualty Actuarial and Statistical (C) Task Force
   B. Surplus Lines (C) Task Force
   C. Title Insurance (C) Task Force
   D. Workers' Compensation (C) Task Force
   E. Cannabis Insurance (C) Working Group
   F. Catastrophe Insurance (C) Working Group
   G. Terrorism Insurance Implementation (C) Working Group
   H. Transparency and Readability of Consumer Information (C) Working Group

3. Hear a federal update related to property/casualty (P/C) insurance issues.

4. Hear an update on the state regulator Property and Casualty Market Intelligence (PCMI) data call.

5. Hear a presentation on the state of the P/C insurance market, particularly challenges insurance companies are facing in homeowners insurance markets.

Attachment Seven
Executive (EX) Committee and Plenary
8/15/2024

Report of the Market Regulation and Consumer Affairs (D) Committee

The Market Regulation and Consumer Affairs (D) Committee will meet on Aug. 15. During this meeting, the Committee anticipates it will:

1. Adopt its July 29 minutes. During its July 29 meeting, the Committee:
    a. Adopted its Spring National Meeting minutes.
    b. Adopted a revised charge for the Market Actions (D) Working Group to "facilitate interstate communication and coordinate collaborative state regulatory activities involving non-traditional market actions through the Coordinated Market Investigation Subgroup."
    c. Adopted a revision to the Life and Annuity Market Conduct Annual Statement (MCAS) blank to reflect the language in the NAIC'S *Life Insurance and Annuity Replacement Model Regulation* (#613). The revision clarifies replacements of policies and contracts of affiliated companies are internal replacements.
    d. Adopted a requirement for fraternal organizations to report MCAS annually to participating MCAS jurisdictions.

2. Hear a presentation by the Automotive Education and Policy Institute (AEPI) on insurer automobile claim adjusting practices.

3. Adopt the following Task Forces and Working Group reports:
    a. Antifraud (D) Task Force
    b. Market Information Systems (D) Task Force
    c. Producer Licensing (D) Task Force
    d. Market Analysis Procedures (D) Working Group
    e. Market Conduct Annual Statement Blanks (D) Working Group
    f. Market Conduct Examination Guidelines (D) Working Group
    g. Market Regulation Certification (D) Working Group
    h. Speed to Market (D) Working Group

Attachment Eight
Executive (EX) Committee and Plenary
8/15/2024

Report of the Financial Condition (E) Committee

The Financial Condition (E) Committee will meet Aug. 15, 2024. During this meeting, the Committee anticipates it will:

1. Adopt its Aug. 2, June 12, and Spring National Meeting minutes. During these meetings, the Committee took the following action:
   A. Discussed risk-based capital (RBC) proposal 2023-17-CR.
   B. Exposed RBC proposal 2024-20-CR for a public comment period that ended July 30.
   C. Adopted RBC proposal 2024-20-CR MOD.

2. Adopt the reports of the following task forces and working groups: Accounting Practices and Procedures (E) Task Force; Capital Adequacy (E) Task Force; Examination Oversight (E) Task Force; Financial Stability (E) Task Force; Receivership and Insolvency (E) Task Force; Reinsurance (E) Task Force; Risk Retention Group (E) Task Force; Risk-Focused Surveillance (E) Working Group; and National Treatment and Coordination (E) Working Group. The Committee also adopted the report of the Valuation of Securities (E) Task Force, except for the action taken by the Task Force on its Securities Valuation Office (SVO) discretion proposal, which the Committee plans to consider during a future meeting.

3. Receive a status report from the Risk-Based Capital Investment Risk and Evaluation (E) Working Group.

4. Receive a status report from the Valuation of Securities (E) Task Force.

5. Expose a draft request for proposal (RFP) for assistance with the due diligence process of rating agencies for a 60-day public comment period ending Oct. 14.

6. Receive an update on a revised investment framework and related document and re-exposed the revised documents for a 60-day public comment period ending Oct. 14.

7. Hear a federal update from NAIC staff on Basel III.

8. Hear a presentation from BlackRock on commercial mortgages.

Note: Items adopted within the Financial Condition (E) Committee's task force and working group reports that are considered technical, noncontroversial, and not significant by NAIC standards—i.e., they do not include model laws, model regulations, model guidelines, or items considered to be controversial—will be considered for adoption by the Executive (EX) Committee and Plenary through the Financial Condition (E) Committee's technical changes report process. Pursuant to this process, which was adopted by the NAIC in 2009, a listing of the various technical changes will be sent to NAIC Members shortly after completion of the national meeting, and the Members will have 10 days to comment with respect to those items. If no objections are received with respect to a particular item, the technical changes will be considered adopted by the NAIC membership and effective immediately.

Attachment Ten
Executive (EX) Committee and Plenary
8/15/2024

Report of the Financial Regulation Standards and Accreditation (F) Committee

The Financial Regulation Standards and Accreditation (F) Committee met Aug. 13, 2024. During this meeting, the Committee:

1. Reported that it met Aug. 12 in regulator-to-regulator session, pursuant to paragraph 7 (consideration of individual state insurance department's compliance with NAIC financial regulation standards) of the NAIC Policy Statement on Open Meetings, to: 1) discuss state-specific accreditation issues; and 2) vote to award continued accreditation to the insurance departments of Florida, Georgia, Montana, Pennsylvania, and Utah.

2. Adopted its Spring National Meeting minutes.

3. Adopted a clarification to the record that the significant elements of the holding company accreditation standard, which have an effective date of January 1, 2026, apply differently for risk retention groups (RRGs). Specifically, RRGs are subject to the group capital calculation (GCC) element, but not the liquidity stress test (LST) element.

4. Adopted a recommendation from the Receivership and Insolvency (E) Task Force that the 2023 revisions to the *Property and Casualty Insurance Guaranty Association Model Act* (#540) be acceptable for accreditation but not required. The revisions update provisions to: 1) preserve guaranty fund coverage for policyholders subject to restructuring mechanisms; and 2) clarify guaranty fund coverage of cybersecurity insurance.

Capital Adequacy (E) Task Force

RBC Proposal Form

☐ Plenary ☒ Financial Condition (E) Committee

☐ Capital Adequacy (E) Task Force	☐ Health RBC (E) Working Group	☐ Life RBC (E) Working Group
☐ Catastrophe Risk (E) Subgroup	☐ P/C RBC (E) Working Group	☐ Longevity Risk (A/E) Subgroup
☐ Variable Annuities Capital. & Reserve (E/A) Subgroup	☐ Economic Scenarios (E/A) Subgroup	☐ RBC Investment Risk & Evaluation (E) Working Group

DATE: **5/28/2024**

CONTACT PERSON: **Steve Broadie**

TELEPHONE: **847-736-8258**

EMAIL ADDRESS: **steve.broadie@apci.org**

ON BEHALF OF: **American Property Casualty Insurance Assoc**

NAME: **Steve Broadie**

TITLE: **Vice Present, Financial & Counsel**

AFFILIATION: **American Property Casualty Insurance Assoc**

ADDRESS:

FOR NAIC USE ONLY

Agenda Item # 2023-17-CR MOD
Year 2024

DISPOSITION

ADOPTED:
☐ Plenary
☑ Financial Condition (E) Aug. 2, 2024
☐ TASK FORCE (TF)
☐ WORKING GROUP (WG)
☐ SUBGROUP (SG)

EXPOSED:
☐ TASK FORCE (TF)
☐ WORKING GROUP (WG)
☐ SUBGROUP (SG)

REJECTED:
☐ TF ☐ WG ☐ SG

OTHER:
☐ DEFERRED TO
☐ REFERRED TO OTHER NAIC GROUP
☐ (SPECIFY)

IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

☐ Health RBC Blanks	☒ Property/Casualty RBC Blanks	☐ Life and Fraternal RBC Blanks
☐ Health RBC Instructions	☒ Property/Casualty RBC Instructions	☐ Life and Fraternal RBC Instructions
☐ Health RBC Formula	☒ Property/Casualty RBC Formula	☐ Life and Fraternal RBC Formula

☐ OTHER ______

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

The Solvency Workstream of the Climate & Resiliency (EX) Task Force was tasked with considering the development of climate scenario analysis. The workstream held three public panels on the topic in 2022 and in 2023 learned that commercial CAT modelers have products known as "Climate Conditioned Catalogs" that reflect adjusted frequency and severity for certain time horizons (e.g. 2040 or 2050) that if compared side by side with existing RBC data in PR027 would provide an estimate of climate change for hurricane and wildfire. The information is intended to be useful for domestic regulators holding conversations with insurers that may have a greater degree of risk levels for these perils.

Additional Staff Comments:

** **This section must be completed on all forms.** **Revised 2-2023**

CALCULATION OF CATASTROPHE RISK CHARGE RCAT
PR027A, PR027B, PR027C, PR027, PR027B2, PR027C2, PR027B3, PR027C3
AND PR027INT

Detail Eliminated to Conserve

DISCLOSURE OF CLIMATE IMPACT ON CATASTROPHE EXPOSURE
PR027B2, PR027B3, PR027C2, PR027C3

These disclosures aim at collecting the impact of climate related risks on the modeled losses for the perils of hurricane and wildfire that have been used in PR027B and PR027C respectively. These disclosures will be effective for YE 2024, YE 2025 and YE 2026 reporting. The intent of these disclosures is for informational purposes only and not to determine a new RCAT charge.

An insurer may elect to provide its response as either time-based or frequency-based, with the insurer responding to yes-no questions to indicate which approach is taken along with additional corresponding questions (if any). The impact should be estimated using the following specific instructions:

- For any approach used, the insurer must assume a static in-force book for business at year end (no changes to book of business, to reinsurance strategy, or to total insured value (TIV) inflation over the projected time horizon).
- For a time-based approach:
  - Representative Concentration Pathway (RCP) represents a set of projections that are meant to serve as an input for climate modeling, pattern scaling and atmospheric chemistry modeling. For purposes of these instructions, companies should utilize an RCP of 4.5 (or equivalent SSP).
  - The impact should be assessed separately under two-time horizons 2040 and 2050.
  - The impact can be modeled using either a Climate Conditioned Catalog developed by a commercial CAT model vendor or equivalent view of climate risk internally developed by the insurer or that is the result of adjustments made by the insurer to vendor provided catalogs to represent the own view of climate risk.
  - The two interrogatories PR027B2 for 2040 and 2050 should be populated for hurricane and the two interrogatories PR027C2 for 2040 and 2050 should populated for wildfire.
- For a frequency-based approach:
  - The impact should be modeled using both a 50% frequency increase for major hurricanes (Category 3 and higher, but only for wind losses) and all wildfire events, and a 10% increase in frequency for major hurricanes and all wildfire events.
  - The impact should be modeled using the same commercial CAT model or an equivalent model internally developed by the insurer used to develop the insurer's RCAT charge
  - The modeling assumptions should be the same as those used in the RCAT charge. For the hurricane peril, the adjustments should be constrained to wind frequency only—no adjustments should be made for other sub perils.
  - The two interrogatories PR027B3 10% and 50% should be populated for hurricane and the two interrogatories PR027C3 10% and 50% should populated for wildfire.

The same basic information is required to be completed for these PR027B2 and PR027C2 and PR027B3 and PR027C3 as the previous pages PR027B and PR027C, including specifically as follows:

Column (1) – Direct and Assumed Modeled Losses
These are the direct and assumed modeled losses per the first footnote. Include losses only; no loss adjustment expenses. For companies that are part of an inter-company pooling arrangement, the losses in this column should be consistent with those reported in Schedule P, i.e. losses reported in this column should be the gross losses for the pool multiplied by the company's share of the pool.

Column (2) – Net Modeled Losses
These are the net modeled losses per the footnote. Include losses only; no loss adjustment expenses.

Column (3) - Ceded Amounts Recoverable
These are the modeled losses ceded under any reinsurance contract. Include losses only, no loss adjustment expenses, and should be associated with the Net Modeled Losses.

For a time-based approach, in addition, the insurer should provide the following information about the view of climate risk used to determine the climate conditioned modeled losses under each time horizon:

- If a Climate Conditioned Catalog developed by a commercial CAT model vendor is used, provide name and version of the catalog.
- If it is internally developed by the company or developed in collaboration with external climate specialists and/or reinsurance brokers, provide a brief description of assumptions/adjustments made including the sources of climate science research used

DISCLOSURE OF CLIMATE IMPACT ON EXPOSURE FOR HURRICANE PR027B2
(For Informational Purposes Only)

	Hurricane	Reference	Climate Impact on Modeled Losses - 2040 (1) Direct and Assumed	(2) Net	3† Ceded Amounts Recoverable
(1)	Worst Year in 50	Company Records			
(2)	Worst Year in 100	Company Records			
(3)	Worst Year in 250	Company Records			
(4)	Worst Year in 500	Company Records			
(5)	Worst Year in 1000	Company Records			

View of climate impact used:

	(4) Y/N
(5a) Was a Climate Conditioned Catalog developed by a commercial cat model vendor used?	
(5b) If the answer is yes, provide name and version of the catalog:	
(5c) Was this internally developed by the company or developed in collaboration with external climate specialists and/or reinsurance brokers?	
(5d) If the answer is yes, provide a brief description of assumptions/adjustments made, including the sources of climate science research used:	
(6a) Were the modeled losses calculated using the same commercial vendor/catastrophe model, or a combination of models used to calculate the CAT Risk Charge.	
(6b) If the answer is no, provide a brief description of the combination of models used:	

† Column (3) is modeled catastrophe losses that would be ceded under reinsurance contracts. This should be associated with the Net Modeled Losses shown in Column (2).

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

DISCLOSURE OF CLIMATE IMPACT ON EXPOSURE FOR HURRICANE PR027B2
(For Informational Purposes Only)

	Hurricane	Reference	Climate Impact on Modeled Losses - 2050 (1) Direct and Assumed	(2) Net	3† Ceded Amounts Recoverable
(1)	Worst Year in 50	Company Records			
(2)	Worst Year in 100	Company Records			
(3)	Worst Year in 250	Company Records			
(4)	Worst Year in 500	Company Records			
(5)	Worst Year in 1000	Company Records			

View of climate impact used:	(4) Y/N
(5a) Was a Climate Conditioned Catalog developed by a commercial cat model vendor used?	
(5b) If the answer is yes, provide name and version of the catalog:	
(5c) Was this internally developed by the company or developed in collaboration with external climate specialists and/or reinsurance brokers?	
(5d) If the answer is yes, provide a brief description of assumptions/adjustments made, including the sources of climate science research used:	
(6a) Were the modeled losses calculated using the same commercial vendor/catastrophe model, or a combination of models used to calculate the CAT Risk Charge.	
(6b) If the answer is no, provide a brief description of the combination of models used:	

† Column (3) is modeled catastrophe losses that would be ceded under reinsurance contracts. This should be associated with the Net Modeled Losses shown in Column (2).

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

DISCLOSURE OF CLIMATE IMPACT ON EXPOSURE FOR HURRICANE PR027B2
(For Informational Purposes Only)

	Hurricane	Reference	(1) Direct and Assumed	(2) Net	3† Ceded Amounts Recoverable
			Climate Impact on Modeled Losses - 10% Frequency Adjustment		
(1)	Worst Year in 50	Company Records			
(2)	Worst Year in 100	Company Records			
(3)	Worst Year in 250	Company Records			
(4)	Worst Year in 500	Company Records			
(5)	Worst Year in 1000	Company Records			

((6) The impact should be modeled using the same commercial CAT model or an equivalent model internally developed by the insurer used to develop the insurer's RCAT charge.

† Column (3) is modeled catastrophe losses that would be ceded under reinsurance contracts. This should be associated with the Net Modeled Losses shown in Column (2).

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

DISCLOSURE OF CLIMATE IMPACT ON EXPOSURE FOR HURRICANE PR027B2
(For Informational Purposes Only)

			Climate Impact on Modeled Losses - 50% Frequency Adjustment		
			(1)	(2)	3†
	Hurricane	Reference	Direct and Assumed	Net	Ceded Amounts Recoverable
(1)	Worst Year in 50	Company Records			
(2)	Worst Year in 100	Company Records			
(3)	Worst Year in 250	Company Records			
(4)	Worst Year in 500	Company Records			
(5)	Worst Year in 1000	Company Records			

(6) The impact should be modeled using the same commercial CAT model or an equivalent model internally developed by the insurer used to develop the insurer's RCAT charge.

† Column (3) is modeled catastrophe losses that would be ceded under reinsurance contracts. This should be associated with the Net Modeled Losses shown in Column (2).

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

DISCLOSURE OF CLIMATE IMPACT ON EXPOSURE FOR WILDFIRE PR027C2
(For Informational Purposes Only)

			Climate Impact on Modeled Losses - 2040		
	Wildfire	Reference	(1) Direct and Assumed	(2) Net	3† Ceded Amounts Recoverable
(1)	Worst Year in 50	Company Records			
(2)	Worst Year in 100	Company Records			
(3)	Worst Year in 250	Company Records			
(4)	Worst Year in 500	Company Records			
(5)	Worst Year in 1000	Company Records			

View of climate impact used:	(4) Y/N
(5a) Was a Climate Conditioned Catalog developed by a commercial cat model vendor used?	
(5b) If the answer is yes, provide name and version of the catalog:	
(5c) Was this internally developed by the company or developed in collaboration with external climate specialists and/or reinsurance brokers?	
(5d) If the answer is yes, provide a brief description of assumptions/adjustments made, including the sources of climate science research used:	
(6a) Were the modeled losses calculated using the same commercial vendor/catastrophe model, or a combination of models used to calculate the CAT Risk Charge.	
(6b) If the answer is no, provide a brief description of the combination of models used:	

† Column (3) is modeled catastrophe losses that would be ceded under reinsurance contracts. This should be associated with the Net Modeled Losses shown in Column (2).

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

DISCLOSURE OF CLIMATE IMPACT ON EXPOSURE FOR WILDFIRE PR027C2
(For Informational Purposes Only)

	Wildfire	Reference	Climate Impact on Modeled Losses - 2050 (1) Direct and Assumed	(2) Net	3† Ceded Amounts Recoverable
(1)	Worst Year in 50	Company Records			
(2)	Worst Year in 100	Company Records			
(3)	Worst Year in 250	Company Records			
(4)	Worst Year in 500	Company Records			
(5)	Worst Year in 1000	Company Records			

View of climate impact used:

	(4) Y/N
(5a) Was a Climate Conditioned Catalog developed by a commercial cat model vendor used?	
(5b) If the answer is yes, provide name and version of the catalog:	
(5c) Was this internally developed by the company or developed in collaboration with external climate specialists and/or reinsurance brokers?	
(5d) If the answer is yes, provide a brief description of assumptions/adjustments made, including the sources of climate science research used:	
(6a) Were the modeled losses calculated using the same commercial vendor/catastrophe model, or a combination of models used to calculate the CAT Risk Charge.	
(6b) If the answer is no, provide a brief description of the combination of models used:	

† Column (3) is modeled catastrophe losses that would be ceded under reinsurance contracts. This should be associated with the Net Modeled Losses shown in Column (2).

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

DISCLOSURE OF CLIMATE IMPACT ON EXPOSURE FOR WILDFIRE PR027C3
(For Informational Purposes Only)

			Climate Impact on Modeled Losses - 10% Frequency Adjustment		
	Wildfire	Reference	(1) Direct and Assumed	(2) Net	3† Ceded Amounts Recoverable
(1)	Worst Year in 50	Company Records			
(2)	Worst Year in 100	Company Records			
(3)	Worst Year in 250	Company Records			
(4)	Worst Year in 500	Company Records			
(5)	Worst Year in 1000	Company Records			

(6) The impact should be modeled using the same commercial CAT model or an equivalent model internally developed by the insurer used to develop the insurer's RCAT charge.

† Column (3) is modeled catastrophe losses that would be ceded under reinsurance contracts. This should be associated with the Net Modeled Losses shown in Column (2).

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

DISCLOSURE OF CLIMATE IMPACT ON EXPOSURE FOR WILDFIRE PR027C3
(For Informational Purposes Only)

	Wildfire	Reference	(1) Direct and Assumed	(2) Net	3† Ceded Amounts Recoverable
			Climate Impact on Modeled Losses - 50% Frequency Adjustment		
(1)	Worst Year in 50	Company Records			
(2)	Worst Year in 100	Company Records			
(3)	Worst Year in 250	Company Records			
(4)	Worst Year in 500	Company Records			
(5)	Worst Year in 1000	Company Records			

(6) The impact should be modeled using the same commercial CAT model or an equivalent model internally developed by the insurer used to develop the insurer's RCAT charge.

† Column (3) is modeled catastrophe losses that would be ceded under reinsurance contracts. This should be associated with the Net Modeled Losses shown in Column (2).

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

Attachment Ten
Executive (EX) Committee and Plenary
8/15/2024

Report of the Financial Regulation Standards and Accreditation (F) Committee

The Financial Regulation Standards and Accreditation (F) Committee met Aug. 13, 2024. During this meeting, the Committee:

1. Reported that it met Aug. 12 in regulator-to-regulator session, pursuant to paragraph 7 (consideration of individual state insurance department's compliance with NAIC financial regulation standards) of the NAIC Policy Statement on Open Meetings, to: 1) discuss state-specific accreditation issues; and 2) vote to award continued accreditation to the insurance departments of Florida, Georgia, Montana, Pennsylvania, and Utah.

2. Adopted its Spring National Meeting minutes.

3. Adopted a clarification to the record that the significant elements of the holding company accreditation standard, which have an effective date of January 1, 2026, apply differently for risk retention groups (RRGs). Specifically, RRGs are subject to the group capital calculation (GCC) element, but not the liquidity stress test (LST) element.

4. Adopted a recommendation from the Receivership and Insolvency (E) Task Force that the 2023 revisions to the *Property and Casualty Insurance Guaranty Association Model Act* (#540) be acceptable for accreditation but not required. The revisions update provisions to: 1) preserve guaranty fund coverage for policyholders subject to restructuring mechanisms; and 2) clarify guaranty fund coverage of cybersecurity insurance.

Report of the International Insurance Relations (G) Committee

The International Insurance Relations (G) Committee met Aug. 13, 2024. During this meeting, the Committee:

1. Adopted its Spring National Meeting minutes.

2. Adopted its Feb. 15 minutes. During this meeting, the Committee took the following action:
   A. Approved NAIC comments on the following International Association of Insurance Supervisors (IAIS) public consultations: 1) draft revisions to supervisory material related to the Holistic Framework; 2) proposed changes to reflect climate risk in selected Insurance Core Principle (ICP) guidance and supporting material; and 3) a draft application paper on supervising diversity, equity, and inclusion (DE&I)—the governance, risk management, and culture perspective.

3. Facilitated a discussion on international activities related to resolution and recovery, which included remarks from the National Organization of Life and Health Insurance Guaranty Associations (NOLHGA).

4. Heard an update on the IAIS' recent activities, including its recent committee meetings and publications, as well as the status of the comparability assessment of the insurance capital standard and the aggregation method.

5. Heard an update on international activities, including: 1) recent meetings, events, and speaking engagements with international insurance regulators; 2) bilateral meetings with certain jurisdictions; and 3) ongoing developments at the Organisation for Economic Co-operation and Development (OECD) and the Sustainable Insurance Forum (SIF).

Attachment Twelve
Executive (EX) Committee and Plenary
8/15/2024

Report of the Innovation, Cybersecurity, and Technology (H) Committee

The Innovation, Cybersecurity, and Technology (H) Committee will meet Aug. 15, 2024. During this meeting, the Committee anticipates it will:

1. Adopt its June 28 minutes.

2. Adopt the reports of its task force and working groups.

3. Hear a presentation from Paige Waters (Locke Lord) on federal regulatory actions regarding the use of artificial intelligence (AI).

4. Hear a presentation from Dale Hall (Society of Actuaries (SOA) on National Institute of Standards and Technology (NIST) AI Safety Institute Consortium (AISIC) efforts to develop a framework for governing AI.

5. Hear a presentation from Dorothy Andrews (NAIC) on International Actuarial Association (IAA) efforts to survey global AI governance frameworks.

Attachment Thirteen
Executive (EX) Committee and Plenary
8/15/2024

State Implementation Reporting of NAIC-Adopted Model Laws and Regulations
As of: 7/8/2024

Executive (EX) Committee

- Amendments to the ***Unfair Trade Practices Act*** **(#880)**—The Executive (EX) Committee and Plenary adopted these revisions at the 2024 Spring National Meeting. NAIC staff are not aware of adoption by any jurisdiction.

Life Insurance and Annuities (A) Committee

- Amendments to the ***Annuity Disclosure Model Regulation*** **(#245)**—The Executive (EX) Committee and Plenary adopted these revisions at the 2021 Summer National Meeting. Two jurisdictions have adopted revisions to this model.

Health Insurance and Managed Care (B) Committee

- Amendments to the ***Insurance Holding Company System Regulatory Act*** **(#440)**—The Executive (EX) Committee and Plenary adopted these revisions at the 2021 Summer National Meeting. Fourteen jurisdictions have adopted revisions to this model.

- Amendments to the ***Insurance Holding Company System Model Regulation with Reporting Forms and Instructions*** **(#450)**—The Executive (EX) Committee and Plenary adopted these revisions at the 2021 Summer National Meeting. Seven jurisdictions have adopted revisions to this model.

Property and Casualty Insurance (C) Committee

- Adoption of the ***Pet Insurance Model Act*** **(#633)**—The Executive (EX) Committee and Plenary adopted Model #633 at the 2022 Summer National Meeting. Ten jurisdictions have adopted this model.

- Adoption of the ***Nonadmitted Insurance Model Act*** **(#870)**—The Executive (EX) Committee and Plenary adopted Model #870 at the 2023 Summer National Meeting. NAIC staff are not aware of adoption by any jurisdiction.

Financial Condition (E) Committee

- Adoption of the ***Property and Casualty Insurance Guaranty Association Model Act*** **(#540)**—The Executive (EX) Committee and Plenary adopted Model #540 at the 2023 Fall National Meeting. NAIC staff are not aware of adoption by any jurisdiction.

- Adoption of the ***Mortgage Guaranty Insurance Model Act*** **(#630)**—The Executive (EX) Committee and Plenary adopted Model #630 at the 2023 Summer National Meeting. NAIC staff are not aware of adoption by any jurisdiction.