

Draft date: 10/22/24

2024 Fall National Meeting
Denver, Colorado

LIFE INSURANCE AND ANNUITIES (A) COMMITTEE

Monday, November 18, 2024

3:00 – 4:00 p.m.

Gaylord Rockies Hotel—Aurora Ballroom A—Level 2

ROLL CALL

Judith L. French, Chair	Ohio	Grace Arnold	Minnesota
Doug Ommen, Co-Vice Chair	Iowa	Justin Zimmerman	New Jersey
Carter Lawrence, Co-Vice Chair	Tennessee	Adrienne A. Harris	New York
Mark Fowler	Alabama	Glen Mulready	Oklahoma
Peni Itula Sapini Teo	American Samoa	Elizabeth Kelleher Dwyer	Rhode Island
Barbara D. Richardson	Arizona	Scott A. White	Virginia
Karima M. Woods	District of Columbia	Nathan Houdek	Wisconsin

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

AGENDA

1. Consider Adoption of its October 21 Minutes
—*Director Judith L. French (OH)*
2. Hear a Federal Update—*Taylor Walker (NAIC)*
3. Consider Adoption of the Report of the Life Actuarial (A) Task Force
—*Rachel Hemphill (TX)*
4. Consider Adoption of the Report of the Annuity Suitability (A) Working Group—
Commissioner Doug Ommen (IA)
5. Hear an Update from the Special Committee on Race and Insurance (SCORI) Life
Workstream—*Commissioner Mark Fowler (AL) and Commissioner Michael Humphreys
(PA)*
6. Hear a Presentation from the American Council on Gift Annuities (ACGA) on Charitable
Gift Annuities—*Shane Leib (ACGA)*
7. Hear a Presentation from the Coalition Against Insurance Fraud (CAIF) on the Profound
Transformation of Insurance Fraud in the Life and Annuity Markets—*Michelle Rafeld
(CAIF)*



8. Discuss Any Other Matters Brought Before the Committee
—*Director Judith L. French (OH)*
9. Adjournment

Draft: 10/24/24

Life Insurance and Annuities (A) Committee
Virtual Meeting
October 21, 2024

The Life Insurance and Annuities (A) Committee met Oct. 21, 2024. The following Committee members participated: Judith L. French, Chair (OH); Doug Ommen, Co-Vice Chair (IA); Carter Lawrence, Co-Vice Chair (TN); Barbara D. Richardson (AZ); Karima M. Woods represented by Philip Barlow (DC); Grace Arnold represented by Fred Andersen (MN); Justin Zimmerman (NJ); Adrienne A. Harris represented by Bill Carmello (NY); Glen Mulready (OK); Scott A. White (VA); and Nathan Houdek (WI). Also participating was: Rachel Hemphill (TX).

1. Adopted its Summer National Meeting Minutes

Commissioner Lawrence made a motion, seconded by Commissioner White, to adopt the Committee's Aug. 15 minutes (see *NAIC Proceedings – Summer 2024, Life Insurance and Annuities (A) Committee*). The motion passed, with Carmello abstaining.

2. Adopted the 2025 GRET

Hemphill explained that the Society of Actuaries (SOA) provided the Life Actuarial (A) Task Force with the annual update to the Generally Recognized Expense Table (GRET). She said no concerns were raised with the SOA updates, and the Task Force unanimously adopted the updated 2025 GRET Sept. 5.

Commissioner Richardson made a motion, seconded by Andersen, to adopt the 2025 GRET (see *NAIC Proceedings – Fall 2024, Executive (EX) Committee and Plenary, Attachment TBD*). The motion passed, with Carmello abstaining.

3. Adopted the Life Actuarial (A) Task Force's 2025 Proposed Charges

Hemphill summarized the changes to the Life Actuarial (A) Task Force's 2025 proposed charges. She said the Task Force has an added charge for 2025 to "Coordinate with the Reinsurance (E) Task Force on actuarial items related to reinsurance." She said that the Task Force has been actively coordinating with the Reinsurance (E) Task Force on reinsurance-related workstreams, but given its importance, it is being added explicitly to its charges. Hemphill said it is proposed that the Indexed Universal Life (IUL) Illustration (A) Subgroup be changed to the Life and Annuity Illustration (A) Subgroup. The focus of the Subgroup was expanded from only IUL illustrations to both life and annuity illustrations, and a corresponding charge was added for the Subgroup to "[c]onsider any guidance, actions, or recommendations that may be necessary to regulate annuity illustration practices." Lastly, Hemphill said minor revisions were made to the Variable Annuities Capital and Reserve (E/A) Subgroup's charges to reflect the transition from initial monitoring to ongoing maintenance of the variable annuity (VA) reserve framework. Hemphill said no concerns were raised with the update, and the Task Force adopted its 2025 proposed charges Oct. 9.

Commissioner Ommen made a motion, seconded by Commissioner Lawrence, to adopt the Life Actuarial (A) Task Force's 2025 proposed charges (see *NAIC Proceedings – Fall 2024, Executive (EX) Committee and Plenary, Attachment TBD*). The motion passed, with Carmello abstaining.

4. Adopted its 2025 Proposed Charges

Director French summarized the Committee's 2025 proposed charges. The Accelerated Underwriting (A) Working Group has been disbanded, as it accomplished its charge with the adoption of the *Accelerated Underwriting in Life Insurance Regulatory Guidance and Considerations* document by this Committee at the Summer National Meeting. Director French reminded the Committee that a referral was made to the Market Conduct Examination Guidelines (D) Working Group to consider additions to the *Market Regulation Handbook* on this topic. Director French said the Committee stands ready to assist if asked under its overarching charge. Director French said the Annuity Suitability (A) Working Group and its charge are being retained. The Working Group has resumed its work on a frequently asked questions (FAQ) document addressing the implementation of the safe harbor provisions in the *Annuity Disclosure Model Regulation* (#245).

Commissioner Mulready made a motion, seconded by Commissioner Houdek, to adopt the Committee's 2025 proposed charges (see *NAIC Proceedings – Fall 2024, Executive (EX) Committee and Plenary, Attachment TBD*). The motion passed, with Carmello abstaining.

5. Discussed Other Matters

Director French said the Committee is scheduled to meet at the Fall National Meeting on Monday, Nov. 18, 2024, from 3:00 – 4:00 p.m.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/A Cmte/2024 Fall National Meeting/11-21-22 ACmte min

Draft date: 11/17/24

2024 Fall National Meeting
Denver, Colorado

LIFE ACTUARIAL (A) TASK FORCE

Friday, November 15, 2024

8:00 a.m. – 4:30 p.m.

Saturday, November 16, 2024

8:00 – 10:00 a.m.

Meeting Summary Report

The Life Actuarial (A) Task Force met Nov. 15–16, 2024. During this meeting, the Task Force:

1. Adopted its Oct. 24, Oct. 10, Oct. 9, Sept. 12, Sept. 5, and Aug. 29 minutes. During these meetings, the Task Force took the following action:
 - A. Adopted the 2024 Valuation Manual (VM)-20, Requirements for Principle-Based Reserves for Life Products, historical mortality improvement (HMI) and future mortality improvement (FMI) recommendation.
 - B. Adopted its Summer National Meeting minutes.
 - C. Adopted the 2025 Generally Recognized Expense Tables (GRET) recommendation.
 - D. Adopted amendment proposal form (APF) 2024-11, which revises the life principle-based reserve (PBR) exemption to account for updates to the blanks.
 - E. Exposed APF 2024-13, which would clarify the treatment of negative interest maintenance reserves (IMRs).
 - F. Exposed APF 2024-14, which would require additional reporting for surrender charge waivers for variable annuities.
 - G. Discussed the asset adequacy testing (AAT) for reinsurance actuarial guideline draft.
 - H. Adopted its 2025 proposed charges.
2. Adopted the report of the Longevity Risk (E/A) Subgroup, which will resume meeting once the VM-22, Requirements for Principle-Based Reserves for Non-Variable Annuities, methodology is finalized to develop and recommend longevity risk factors.
3. Adopted the report of the Indexed Universal Life (IUL) Illustration (A) Subgroup, which is reviewing the impact of the most recent revisions to *Actuarial Guideline XLIX-A—The Application of the Life Illustrations Model Regulation to Policies with Index-Based Interest Sold On or After Dec. 14, 2020* (AG 49-A) on the market.
4. Adopted the report of the Variable Annuities Capital and Reserves (E/A) Subgroup, which met Oct. 18. During this meeting, the Subgroup took the following action:
 - A. Exposed draft additions to the Variable Annuities Supplement in the Annual Statement.

5. Adopted the report of the Experience Reporting (A) Subgroup, which is monitoring the NAIC's mortality experience data collection and considering a group annuity mortality experience data collection.
6. Adopted the report of the VM-22 (A) Subgroup, which met Nov. 6, Oct. 23, and Oct. 9. During these meetings, the Subgroup took the following actions:
 - A. Exposed longevity reinsurance reserve flooring methodologies for a 32-day public comment period ending Dec. 9.
 - B. Discussed comments received on the VM-22 standard projection amount (SPA) draft exposure.
 - C. Discussed questions received from companies during the VM-22 field test.
 - D. Adopted a proposal to exclude preneed annuities from the scope of VM-22.
 - E. Made edits to the VM-22 draft based on Subgroup discussions.
7. Heard a presentation on the VM-22 model office testing.
8. Adopted the report of the Generator of Economic Scenarios (GOES) (E/A) Subgroup, which met Oct. 16, Oct. 9, Oct. 2, and Sept. 25. During these meetings, the Subgroup took the following action:
 - A. Exposed the GOES model governance framework for a 58-day public comment period ending Nov. 22.
 - B. Discussed GOES field test participant feedback.
 - C. Exposed questions on VM-20 stochastic exclusion ratio test (SERT) scenarios; the VM-20 deterministic reserve (DR) scenario; and scenario statistics for a 30-day public comment period ending Nov. 14.
9. Discussed GOES equity calibration and interest rate flooring options.
10. Heard an update on HMI and FMI Factors.
11. Re-exposed APF 2024-13, which would clarify the reflection of negative IMR for a 14-day public comment period ending Dec. 2.
12. Adopted APF 2024-14, which adds reporting requirements on waiver of surrender charges for variable annuities.
13. Exposed APF 2024-15, which would make correction to VM-21, Requirements for Principle-Based Reserves for Variable Annuities, SPA mortality application, where there is little or no company experience, for a 21-day public comment period ending Dec. 6.
14. Discussed a universal life nonforfeiture product filing issue.
15. Heard an update on the Society of Actuaries' (SOA's) education redesign.
16. Heard an update on *Actuarial Guideline LIII—Application of the Valuation Manual for Testing the Adequacy of Life Insurer Reserves* (AG 53) reports.



17. Discussed comments received on the AAT for Reinsurance Actuarial Guideline Draft.
18. Heard an update from SOA Research and Education.
19. Heard an update from the American Academy of Actuaries (Academy) Council on Professionalism and Education.
20. Heard an update from the Academy Life Practice Council.
21. Exposed Academy Life Knowledge Statements for Appointed Actuaries and Qualified Actuaries for a 51-day public comment period ending Jan. 8, 2025.
22. Heard a presentation from the American Council on Gift Annuities (ACGA) on charitable gift annuities.
23. Disclosed that the Task Force met in regulator-only session jointly with the Health (B) Actuarial Task Force on Oct. 31 pursuant to paragraph 6 of the NAIC Policy Statement on Open Meetings: Consultations with NAIC staff members related to NAIC technical guidance. The Task Forces heard a confidential update regarding the SOA fellowship pathway.
24. Exposed considerations for Reinsurance Asset Adequacy Testing for a 58-day public comment period ending Jan. 15, 2025.

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ANNUITY SUITABILITY (A) WORKING GROUP

Sunday, November 17, 2024

4:00 – 5:00 p.m.

Meeting Summary Report

The Annuity Suitability (A) Working Group met Nov. 17, 2024. During this meeting, the Working Group:

1. Discussed the chair's draft safe harbor guidance document and the comments received during the public comment period that ended Nov. 8.
2. Discussed its next steps. The Working Group plans to reconvene the small drafting group that developed the initial draft guidance document to review the comments received and revise the draft accordingly. The Working Group anticipates distributing the revised draft guidance document for public comment and holding a future meeting to discuss the comments received.

6. Hear a Presentation from the American Council on Gift Annuities (ACGA) on Charitable Gift Annuities—*Shane Leib (ACGA)*

Charitable Gift Annuities



american council on gift annuities

Phil Purcell, CFRE, MPA/J.D.

President

Dave Ely, CFA

VP, Rates & Regulations

Shane Leib, FSA, MAAA

Actuary & Ex-Officio Director

November 18, 2024

The ACGA and their role

Charities formed the Committee on Gift Annuities in 1927 (now called the American Council on Gift Annuities)



Purpose

Advocate: Promote good gifts for nonprofits and their donors

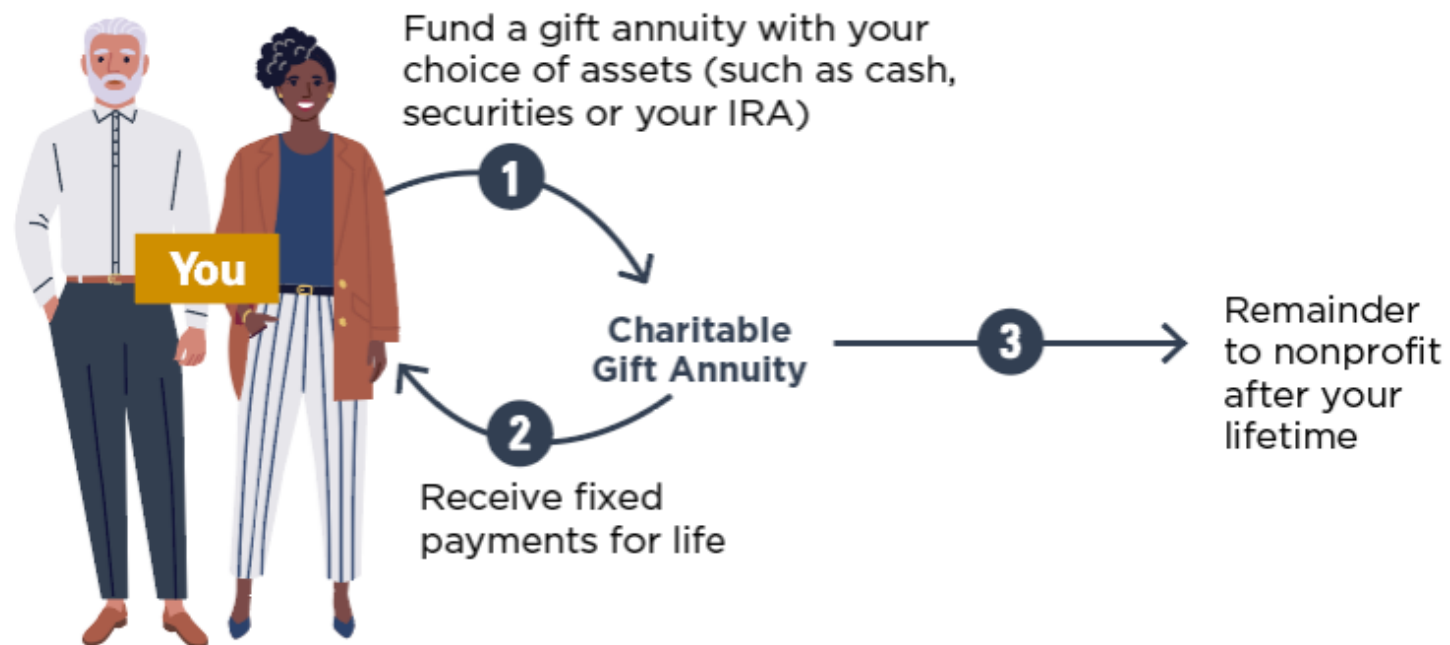
Recommend payout rates: Suggest maximum rates for charitable gift annuities

Monitor regulations: Interface with regulators and keep charities updated on state regulations

Conduct research: Conduct studies to help charities plan and analyze their gift annuity programs

Educate: Provide training and education to charities

What is a Charitable Gift Annuity?



What is a Charitable Gift Annuity?

A charitable gift annuity (CGA) is a contract between a donor and a charity that provides:

- **Payments for life:** Payments can begin immediately or be deferred to a future date.
- **Tax benefits:** Donors can receive a partial tax deduction for their donation.
- **Annuity term:** The annuity ends when the donor dies, and the charity uses the remaining funds for its mission

Charitable Gift Annuities are issued frequently

Charitable gift annuities are the leading planned gift vehicle today

95% of gift activity

80% of dollar activity

Risks in Common with Traditional Payout Annuities

Longevity Risk

Interest Rate Risk

Asset/Liability Mismatch

Investment Risk

Inflation

Concentration Risk

Safeguards in Common with Traditional Annuities

Minimum Ages and Amounts

Reserve Pools

Prudent Investing

Reinsurance

Unique Challenges of Charitable Gift Annuities

Gifts may be restricted which reduces the ability to aggregate individual risks

Potentially heightened concentration risk for small pools.

Inconsistent gift activity can concentrate inflation, interest rate, and market risks.

Unique Safeguards

General assets of charities are also available to support annuity payments if original donated funds exhausted

Payout rates are typically designed so that 50% of original payment is a charitable contribution at death (residuum)

Annuitants may elect to forego future payments as an additional charitable contribution.

ACGA provides expertise and guidance to members

How the ACGA supports charities



SUGGESTING PAYOUT RATES



STUDYING CGA MORTALITY
EXPERIENCE



PERFORMING INDUSTRY
SURVEYS/RESEARCH



REVIEWING OUR
METHODOLOGIES
REGULARLY

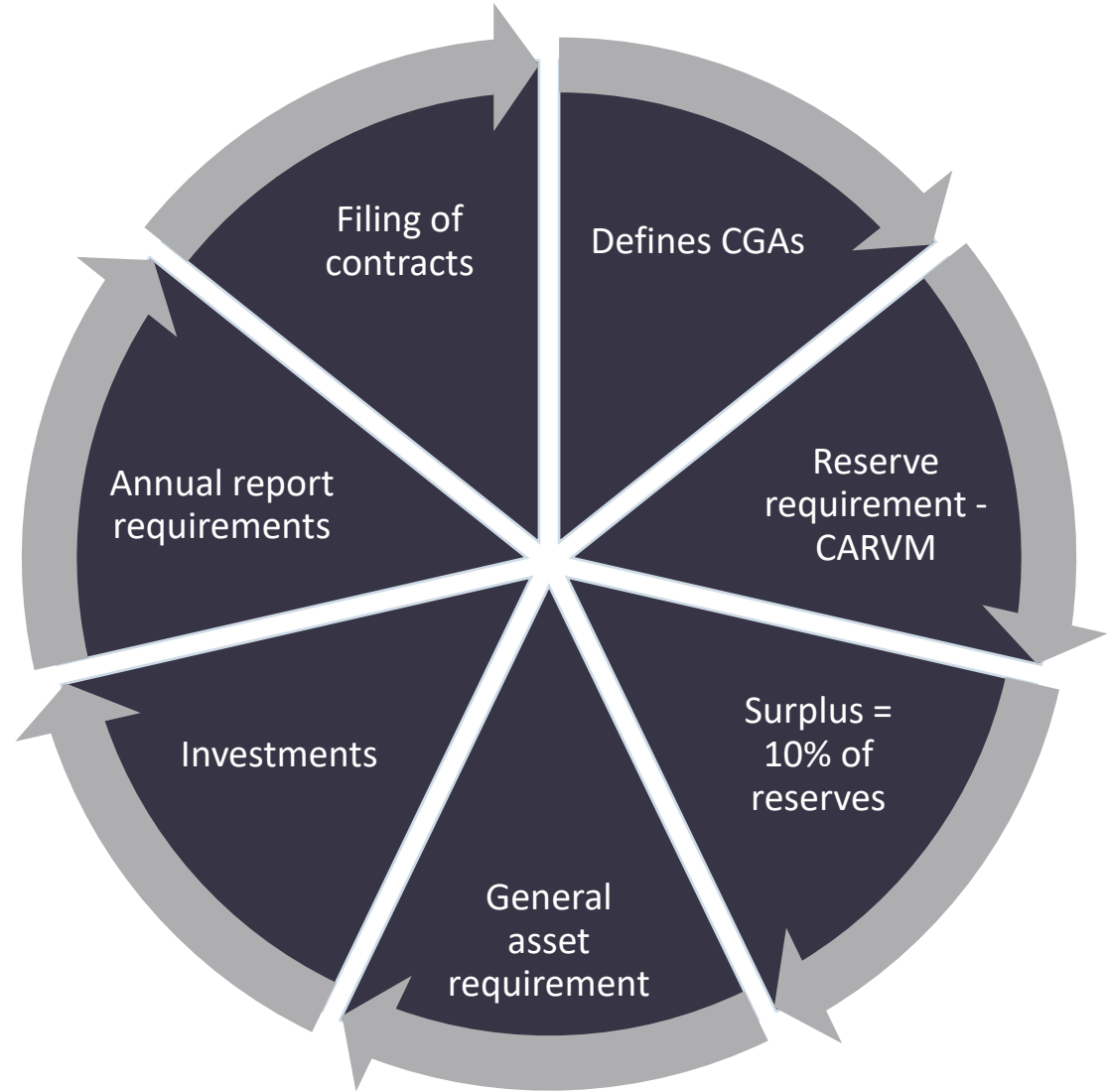


PROVIDING EDUCATIONAL
OPPORTUNITIES VIA
WEBCAST AND REGULAR
CONFERENCES

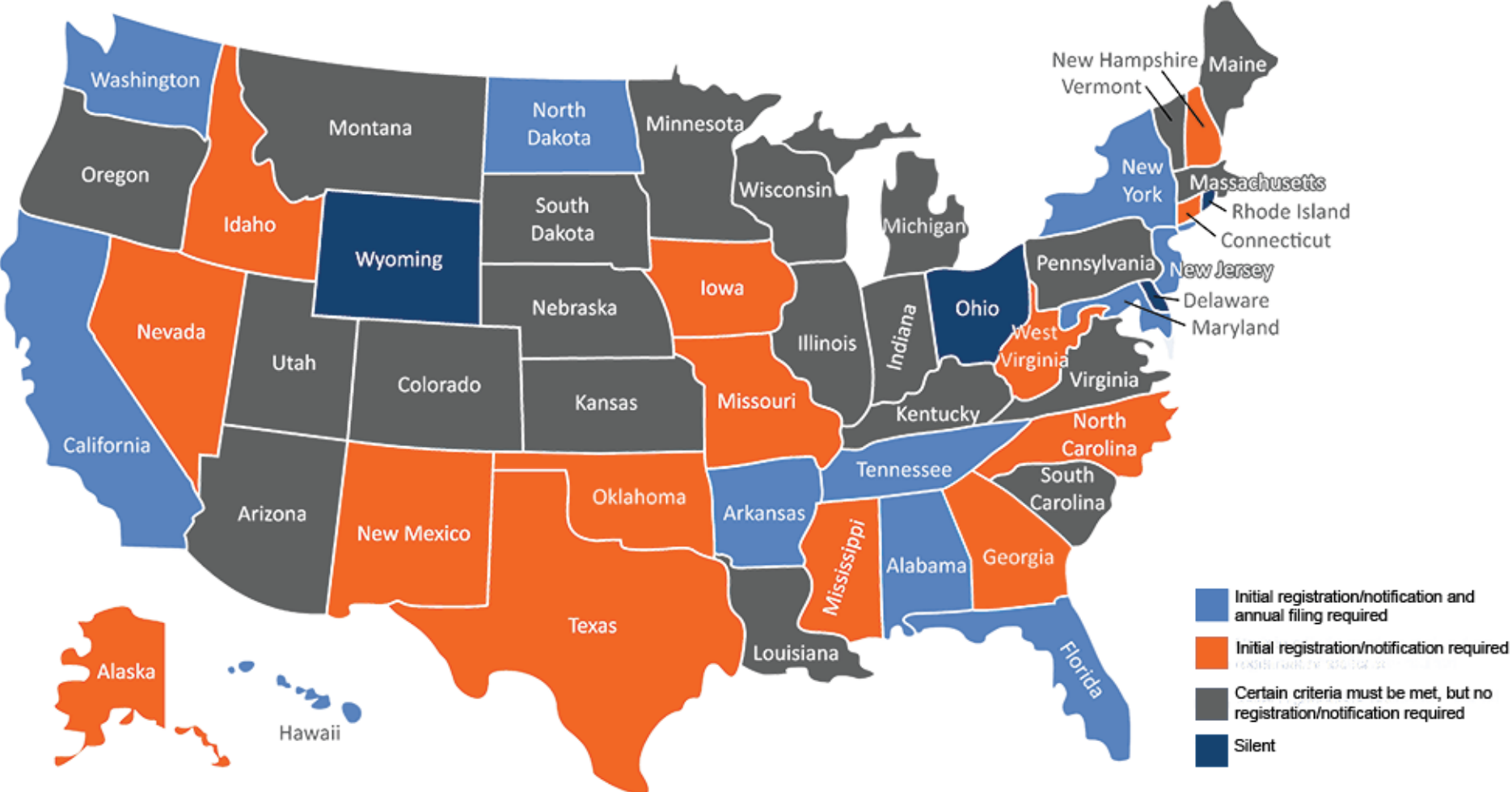
Regulatory Requirements

What does my state require for charities issuing Charitable Gift Annuities?

Model 240 Overview



State by State Filing Requirements



1. State law requires segregated reserve, annual reporting, and/or detailed application (11):

State	Years in operation	Board resolution	Disclosure in agreement	Reserve required	Investment limitations	Other registrations
AL ¹	—	—	yes	yes	—	—
AR	5	yes	—	yes ²	yes ³	—
CA	10	yes	yes	yes ⁴	yes ⁴	—
FL	5	—	yes	yes ⁵	yes	—
HI ⁶	10 in HI	—	yes	yes	— ⁷	—
MD	10 in MD	—	yes ⁸	yes	— ⁷	—
NJ	10	yes	—	yes	— ⁷	yes ⁹
NY	10	yes	—	yes	— ⁷	—
ND	—	—	—	yes	—	—
TN	—	—	yes ⁸	yes ¹⁰	— ⁷	—
WA ¹¹	3	—	—	yes	— ⁷	yes ¹²

NOTES:

- ¹ Regulated by Securities Dept. rather than Insurance
- ² May elect to segregate AR annuitants
- ³ Prudent investor standard allowed
- ⁴ CA annuitants only
- ⁵ May elect to segregate FL annuitants

- ⁶ Law requires \$200,000 of assets in Hawaii
- ⁷ Prudent investor standard
- ⁸ If signed, or in separate signed document
- ⁹ Registration with NJ Div. of Revenue and NJ Dept. of Law and Public Safety

- ¹⁰ TN-only fund allowed but no longer mandated
- ¹¹ Organization must have \$500,000 in unrestricted net assets
- ¹² Registration with WA Secretary of State

2. State law provides for exemption - Notification required (14):

State	Years in operation	Board resolution	Disclosure in agreement	Reserve required	Available assets	Other registrations
AK	3	—	yes	—	\$300k	—
CT	3	—	yes	—	\$300k	—
GA ¹³	3	—	yes	—	\$300k	—
ID	3	—	yes	—	\$100k	—
IA	3	—	yes	—	\$300k	—
MS	3	—	yes	—	\$300k	yes ¹⁴
MO	3	—	yes	—	\$100k	—
NV	3	—	yes	—	\$300k	—
NH ^{15, 16}	3	—	yes	yes	\$300k	yes ¹⁷
NM	3	—	yes	—	\$300k ¹⁸	—
NC	3	—	yes	—	\$100k	—
OK ¹³	3	—	yes	—	\$100k	—
TX	3	—	yes	—	\$100k	—
WV	3	—	yes	—	\$300k	—

NOTES:

¹³ Annual reporting: submission of audited financial statement

¹⁴ Registration with MS Secretary of State (as charitable organization)

¹⁵ Annual reporting: re-notification

¹⁶ Annuity rates must not exceed ACGA suggested rates

¹⁷ General registration with NH Dept. of Justice in some instances

¹⁸ Either in unrestricted assets or reserve fund

3. State law provides for exemption - No notification required (22):

State	Years in operation	Board resolution	Disclosure in agreement	Reserve required	Available assets	Other registrations
AZ	3	—	— ¹⁹	—	\$300k	—
CO	3	—	yes	—	—	—
DE	—	—	—	—	—	—
IL	20 ²⁰	—	—	—	\$2 mil. ²⁰	—
IN	—	—	—	—	—	—
KS	—	—	—	—	—	—
KY	—	—	—	—	—	yes ²¹
LA	—	—	—	—	—	—
ME	5	—	—	—	—	yes ²²
MA	—	—	—	—	—	—
MI	—	—	—	—	—	—
MN	—	—	—	—	—	—
MT	3 ²⁰	—	—	yes ²⁰	\$100K ^{20,23}	—
NE	3	—	—	—	—	—
OR	5	—	— ²⁴	yes	\$300k	—
PA	3	—	yes	—	\$100k ²⁵	yes ²⁶
SC	5	—	—	—	—	—
SD	10	—	yes	—	\$500k	yes ²⁷
UT	—	—	—	—	—	—
VA	3	—	yes	—	\$100k	—
VT	3	—	yes	—	\$300k	—
WI	3	—	yes ²⁸	—	—	—

NOTES:

¹⁹ Detailed disclosure statement to donor prior to gift

²⁰ Waived if annuities reinsured

²¹ Certain charities must file copy of Form 990 with KY Attorney General

²² Registration with ME Secretary of State (qualified as foreign corporation)

²³ \$100k in unrestricted assets or \$300k net worth

²⁴ Content-specific written disclosure, in agreement or other document

²⁵ Plus one-half principal value of then outstanding annuities

²⁶ Certain charities must register with PA Dept. of State (general solicitation law)

²⁷ Registration with SD Secretary of State (qualified as foreign corporation)

²⁸ Language modified when law changed 4/18/14

4. State law does not specifically address gift annuities (4):

DC, OH²⁹, RI, WY

NOTES:

²⁹ OH previously provided for an exemption from securities law under now rescinded administrative rule. OH Court of Appeals case decided in 2002 held gift annuities not subject to insurance regulation (OH Supreme Court declined to hear appeal).

Recent Activity

Partnering with New York
Department of Financial Services

7. Hear a Presentation from the Coalition Against Insurance Fraud (CAIF) on the Profound Transformation of Insurance Fraud in the Life and Annuity Markets—*Michelle Rafeld (CAIF)*

The Profound Transformation Of Insurance Fraud In The Life & Annuity Markets



The Changing Landscape Of Fraud

Technology Advancements



Fraud Trends In The Life & Annuity Markets



Intentional Misstatements On Applications



Advance Commission Schemes



Identity Theft



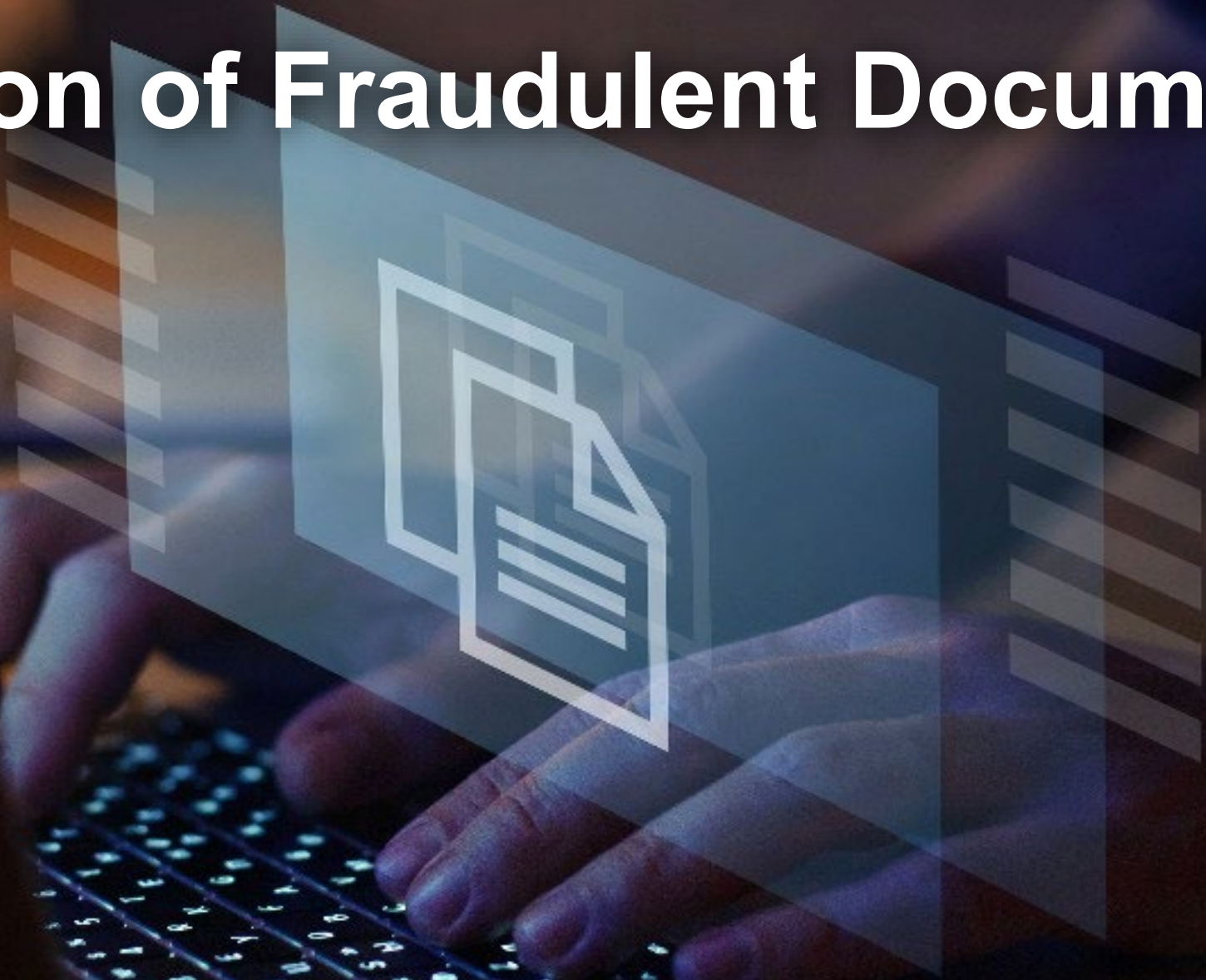
Use Of Synthetic IDs



Account Takeovers



Submission of Fraudulent Documents



Forged Policy Changes / Beneficiary Fraud





Unauthorized Surrenders



The New Stranger Originated Life Insurance Transaction



Coalition Against
Insurance Fraud

Life & Annuity Products – A Nexus For Money Laundering



The Cost of Insurance Fraud



\$308.6
Billion Annually

Insurer Risk Mitigation Strategies



Use The Financial Examination Process To Learn About Company Antifraud Efforts



Insurer Antifraud Plans Speak Volumes

ANTIFRAUD PLAN GUIDELINE

Table of Contents

Preface	
Section 1.	Application
Section 2.	Definitions
Section 3.	Antifraud Plan Creation/Submission
Section 4.	Antifraud Plan Requirements
Section 5.	Regulatory Compliance
Section 6.	Confidentiality of Antifraud Plan

Preface

Insurance fraud costs insurers and consumers billions of dollars annually, and no line of insurance is immune to fraud. Because of this, state departments of insurance (DOIs) believe it is imperative that insurers make detection, investigation, and reporting of suspected fraud a priority in their overall operations. Failure to dedicate resources to the fight against insurance fraud can affect an insurer's financial stability as well as the rates charged to consumers. In light of this, insurers are encouraged to proactively take measures to minimize the cost of fraud.

To encourage insurers to take a proactive approach to fighting fraud, and minimize organizational risk, many states require the preparation and/or submission of an antifraud plan. Such plans are often audited and inspected for compliance purposes and/or reviewed in conjunction with market conduct and financial examinations.

While the development and submission of an antifraud plan is currently not mandated in all states, most state DOIs and fraud fighting agencies believe it is a best practice for all insurers, whether state mandated or not, to develop an antifraud plan that documents the antifraud efforts an insurer has put in place to prevent, detect, investigate, and report fraud. As such, this guideline is intended to serve as a guide for insurance company special investigation units (SIUs) and other interested parties in the preparation of antifraud plans that meet state mandates.

In the spirit of promoting uniformity among the states and providing insurers with added insight regarding key elements that should be considered when developing an antifraud plan, state fraud bureaus are encouraged to utilize this guideline to introduce new antifraud plan legislation or revise existing antifraud plan laws in their states.

To further uniformity in this area and assist both insurers and state DOIs with compliance efforts, the NAIC Antifraud Task Force intends to utilize this revised guideline as a basis for developing an antifraud plan submission repository/system that will streamline insurer antifraud plan compliance nationwide. Until such a system is developed and implemented, insurers are encouraged to utilize this guideline, and incorporate all information outlined within the document when developing or updating company antifraud plans.



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FRAUD

Coalition Against Insurance Fraud

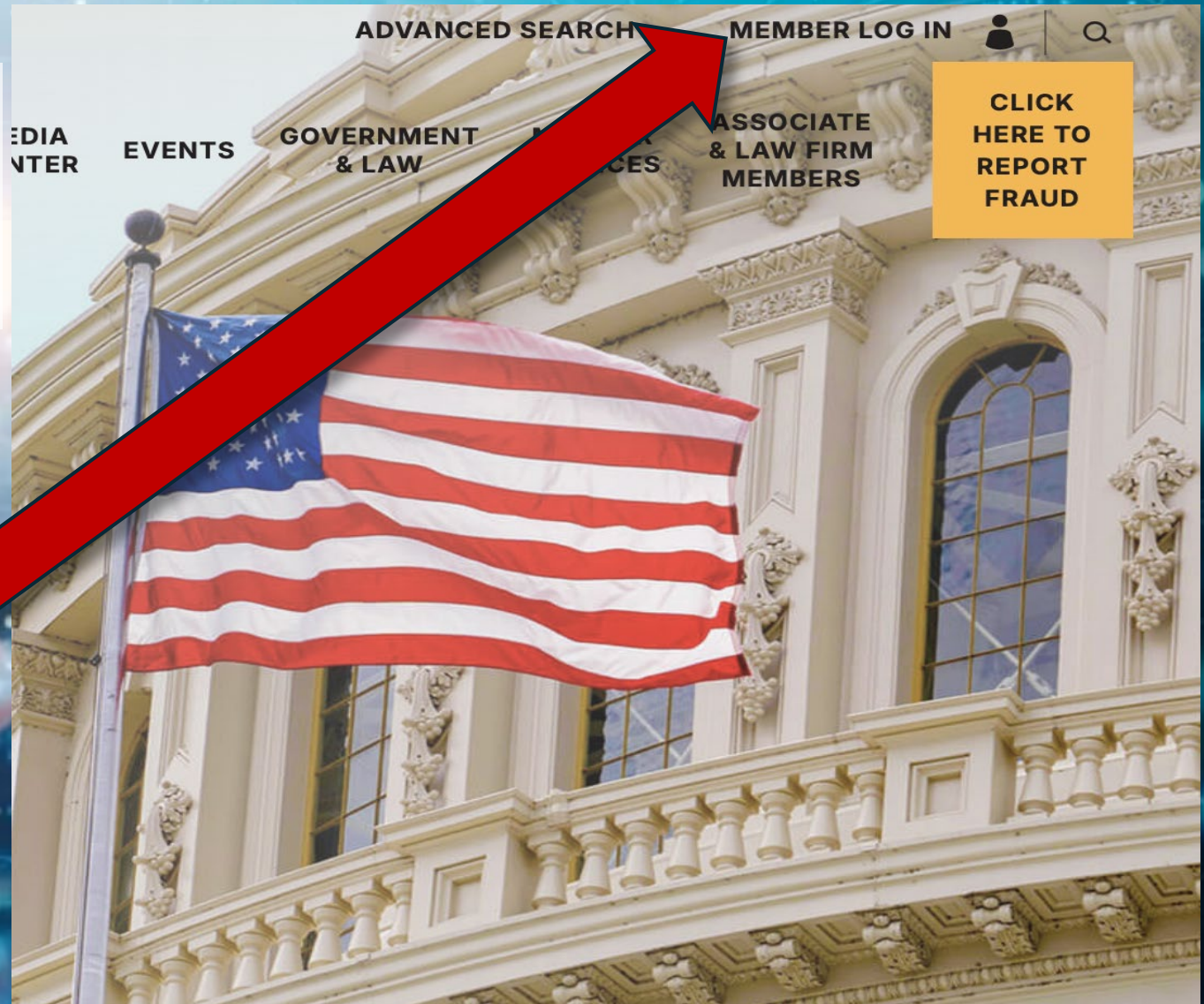
The **Coalition Against Insurance Fraud** unites and empowers private and public groups to fight insurance fraud through outreach, advocacy and research.

Members will need to set up a YM Membership profile to access all member resources on the website.



Your Membership

- Gives members an easier path to sign up and renew with an auto-renewal functionality.
- Members are empowered to manage their own membership via the online portal.
- Your membership journey will be shared with the Coalition staff.
- Members will have the ability to connect with other members and Coalition staff.
- Engage members with relevant content which includes blogs, polls, surveys and education also career opportunities on one feed.
- Built-in Mobile response community to stay in the know.



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