MEETING MATERIALS PACKET

LIFE ACTUARIAL (A) TASK FORCE

November 15-16, 2024

NAIC FALL NATIONAL MEETING

November 15 - 16, 2024

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Draft date: 11/5/24

2024 Fall National Meeting
Denver, Colorado

LIFE ACTUARIAL (A) TASK FORCE
Friday, November 15, 2024
8:00 a.m. – 4:30 p.m.
Gaylord Rockies Hotel—Aurora Ballroom C/D—Level 2

Saturday, November 16, 2024
8:00 – 10:00 a.m.
Gaylord Rockies Hotel—Aurora Ballroom C/D—Level 2

ROLL CALL

Member	**Representative**	**State**
Cassie Brown, Chair	Rachel Hemphill	Texas
Scott A. White, Vice Chair	Craig Chupp	Virginia
Mark Fowler	Sanjeev Chaudhuri	Alabama
Lori K. Wing-Heier	Sharon Comstock	Alaska
Peni Itula Sapini Teo	Elizabeth Perri	American Samoa
Ricardo Lara	Ahmad Kamil	California
Andrew N. Mais	Wanchin Chou	Connecticut
Ann Gillespie	Vincent Tsang	Illinois
Holly W. Lambert	Scott Shover	Indiana
Doug Ommen	Mike Yanacheak	Iowa
Vicki Schmidt	Nicole Boyd	Kansas
Robert L. Carey	Marti Hooper	Maine
Grace Arnold	Fred Andersen	Minnesota
Chlora Lindley-Myers	William Leung	Missouri
Eric Dunning	Margaret Garrison	Nebraska
D.J. Bettencourt	Jennifer Li	New Hampshire
Justin Zimmerman	Seong-min Eom	New Jersey
Adrienne A. Harris	Bill Carmello	New York
Judith L. French	Peter Weber	Ohio
Glen Mulready	Andrew Schallhorn	Oklahoma
Michael Humphreys	Steve Boston	Pennsylvania
Jon Pike	Tomasz Serbinowski	Utah

NAIC Support Staff: Scott O'Neal/Jennifer Frasier

AGENDA

Friday, November 15, 2024

8:00 – 8:05 a.m.	1. Call to Order/Roll Call/Consider Adoption of its Minutes and Written Subgroup Reports—*Rachel Hemphill (TX)*
8:05 – 9:15 a.m.	2. Consider Adoption of the Report of the Valuation Manual (VM)-22 (A) Subgroup, and Hear a Presentation on the VM-22 Model Office Testing—*Ben Slutsker (MN), Chris Conrad (American Academy of Actuaries—Academy), Angela McShane (Ernst & Young), and Sean Abate (Ernst & Young)*
9:15 – 9:45 a.m.	3. Receive an Update on the Generator of Economic Scenarios (GOES) Field Test, and Consider Adoption of the Report of the GOES (E/A) Subgroup—*Mike Yanacheak (IA) and Scott O'Neal (NAIC)*
9:45 – 10:00 a.m.	Break
10:00 – 10:45 a.m.	4. Consider GOES Equity Calibration and US Treasury Flooring Options, and Discuss Next Steps—*Mike Yanacheak (IA), Dan Finn (Conning), Representatives of the American Council of Life Insurers (ACLI)*
10:45 – 11:45 a.m.	5. Hear an Update on Historical Mortality Improvement (HMI) and Future Mortality Improvement (FMI) Factors—*Marianne Purushotham (Society of Actuaries—SOA)*
11:45 – 12:00 p.m.	6. Consider Re-Exposure of Amendment Proposal Form (APF) 2024-13—*Rachel Hemphill (TX)*
12:00 – 1:15 p.m.	Lunch
1:15 – 1:30 p.m.	7. Consider Adoption of APF 2024-14—*Rachel Hemphill (TX)*
1:30 – 1:45 p.m.	8. Consider Exposure of APF 2024-15—*Peter Weber (OH)*
1:45 – 2:15 p.m.	9. Discuss the Universal Life Nonforfeiture Product Filing Issue —*Katie Campbell (Interstate Insurance Product Regulation Commission—Compact) and Naomi Kloeppersmith (Compact)*

2:15 – 2:30 p.m.	10. Hear an Update on the SOA's Education Redesign—*Doug Norris (SOA)*
2:30 – 2:45 p.m.	11. Provide Update on *Actuarial Guideline LIII—Application of the Valuation Manual for Testing the Adequacy of Life Insurer Reserves* (AG 53) Reports—*Fred Andersen (MN)*
2:45 – 3:00 p.m.	Break
3:00 – 4:30 p.m.	12. Discuss Comments Received on the Asset Adequacy Testing (AAT) for Reinsurance Actuarial Guideline Draft—*Fred Andersen (MN)*

Saturday, November 16, 2024

8:00 – 8:20 a.m.	13. Hear an Update on SOA Research and Education—*R. Dale Hall (SOA)*
8:20 – 8:35 a.m.	14. Hear an Update from the Academy Council on Professionalism and Education—*Representatives of the American Academy of Actuaries*
8:35 – 8:50 a.m.	15. Hear an Update from the Academy Life Practice Council —*Amanda Barry-Moilanen (Academy)*
8:50 – 9:20 a.m.	16. Hear an Update on Academy Life Knowledge Statements—*Darrell Knapp (Academy), Linda Lankowski (Academy), and Tricia Matson (Academy)*
9:20 – 9:50 a.m.	17. Hear a Presentation from the American Council on Gift Annuities (ACGA) on Charitable Gift Annuities—*Shane Leib (ACGA)*
9:50 – 10:00 a.m.	18. Discuss Any Other Matters Brought Before the Task Force — *Rachel Hemphill (TX)*
10:00 a.m.	Adjournment

Agenda Item 1

Consider Adoption of Life Actuarial (A)

Task Force Minutes and Written

Subgroup Reports

Draft: 11/6/24

Life Actuarial (A) Task Force
Virtual Meeting
October 24, 2024

The Life Actuarial (A) Task Force met Oct. 24, 2024. The following Task Force members participated: Cassie Brown, Chair, represented by Rachel Hemphill (TX); Scott A. White, Vice Chair, represented by Craig Chupp (VA); Mark Fowler represented by Sanjeev Chaudhuri (AL); Lori K. Wing-Heier represented by Sharon Comstock (AK); Ricardo Lara represented by Ahmad Kamil and Thomas Reedy (CA); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak and Kevin Clark (IA); Ann Gillespie represented by Vincent Tsang (IL); Holly W. Lambert represented by Scott Shover (IN); Vicki Schmidt represented by Nicole Boyd (KS); Robert L. Carey represented by Marti Hooper (ME); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Chlora Lindley-Myers represented by William Leung and John Rehagen (MO); Eric Dunning represented by Margaret Garrison (NE); D.J. Bettencourt represented by Jennifer Li (NH); Justin Zimmerman represented by Seong-min Eom and David Wolf (NJ); Adrienne A. Harris represented by Bill Carmello and Amanda Fenwick (NY); Judith L. French represented by Pete Weber (OH); Michael Humphreys represented by Steve Boston (PA); and Jon Pike represented by Tomasz Serbinowski (UT).

1. Received a Summary of its Oct. 17 Meeting

Hemphill said that the Task Force met Oct. 17 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings ,to discuss specific company indexed universal life (IUL) illustrations and universal life nonforfeiture calculations, and that no actions were taken.

2. Continued Discussion on Comments Received on the Scope and Aggregation Sections of the AAT for Reinsurance Actuarial Guideline Draft

Andersen gave a presentation (Attachment A) highlighting key decision points related to the scope and aggregation sections of the Asset Adequacy Testing (AAT) for Reinsurance Actuarial Guideline (AG) draft. Regarding the question for whether treaties could be excluded if a report meeting similar standards to *Valuation Manual* (VM)-30, Actuarial Opinion and Memorandum Requirements was filed with a relevant regulator, Yanacheak noted that it was not sufficient to simply file a report. He added that the report needs to be done to high standards. Eom stated that when considering what reports would qualify as similar, that it was important to make sure AAT was performed as part of the testing supporting the report. Hemphill noted that there were potentially two approaches in determining what constituted a similar report: 1) defining “similar” in the AAT for Reinsurance AG; or 2) creating a smaller list of aspects used to make the determination.

Andersen asked for an example of a report that could be considered similar to VM-30. Jeff Mulholland (Insurance Capital Markets Holdings) said that rating agencies require reporting that would meet many if not all of the VM-30 requirements. Jeremy Trader (Knighthead Annuity & Life Assurance) noted that comparisons of reporting across regulatory and rating agency regimes were available online. Clark said that even if a report is filed, it is not always accessible to the cedant’s state insurance regulator. Bayerle stated that he supported developing a set of guidelines to define what a report similar to VM-30 could mean. Andsersen said that the next step would be to review reporting that may be considered similar to VM-30 requirements to see how they compare.

Andersen then prompted the next discussion topic on whether treaties could be exempted if the assuming company held full U.S. statutory reserves. Hemphill noted that when referring to “full U.S. statutory reserves,” commenters are often talking about formula reserves which may be found to be deficient with AAT. Therefore, Hemphill stated that she would not be comfortable with not requiring AAT at all for treaties where full US statutory reserves are held. Hemphill then suggested AAT could be performed at the onset of the treaty with additional sensitivity testing representing alternative economic environments to give state insurance regulators comfort that the formula reserves held were not deficient. Hemphill concluded by stating that she would be comfortable with exempting treaties where the assuming company holds full U.S. statutory reserves computed under principle-based requirements.

Andersen then asked whether the Task Force would have concerns with exempting treaties where there was no reserve reduction. Leung noted that this type of exemption would mean that all US reinsurers would be exempted because they hold US statutory reserves. Eom asked whether Leung would include captives as a US reinsurer, to which Leung replied that his comments applied to any US reinsurer that held US statutory reserves. Chou said that captives need additional consideration.

Andersen concluded by stating that the Task Force will further discuss a revised version of the AAT for Reinsurance AG at the Fall National Meeting.

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

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Draft: 11/5/24

Life Actuarial (A) Task Force
Virtual Meeting
October 10, 2024

The Life Actuarial (A) Task Force met Oct. 10, 2024. The following Task Force members participated: Cassie Brown, Chair, represented by Rachel Hemphill (TX); Scott A. White, Vice Chair, represented by Craig Chupp (VA); Mark Fowler represented by Sanjeev Chaudhuri (AL); Lori K. Wing-Heier represented by Sharon Comstock (AK); Ricardo Lara represented by Ahmad Kamil and Thomas Reedy (CA); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak and Kevin Clark (IA); Ann Gillespie represented by Vincent Tsang (IL); Vicki Schmidt represented by Nicole Boyd (KS); Robert L. Carey represented by Marti Hooper (ME); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Chlora Lindley-Myers represented by William Leung and John Rehagen (MO); Justin Zimerman represented by Seong-min Eom and David Wolf (NJ); Adrienne A. Harris represented by Bill Carmello and Amanda Fenwick (NY); Judith L. French represented by Pete Weber (OH); Glen Mulready represented by Andrew Schallhorn (OK); Michael Humphreys represented by Steve Boston (PA); and Jon Pike represented by Tomasz Serbinowski (UT).

1. Discussed Comments Received on the Scope and Aggregation Sections of the AAT for Reinsurance Actuarial Guideline Draft

Jason Kehrberg (American Academy of Actuaries—Academy), Brian Bayerle (American Council of Life Insurers—ACLI), Greg Mitchell (Cayman International Reinsurance Companies Association—CIRCA), Leung, Peter Gould (Retired Annuity Consumer), John Robinson (Retired), Tricia Matson (Risk Regulatory Consulting—RRC), Aaron Ziegler (Representing Self), and Karalee Morell (Reinsurance Association of America—RAA) each spoke to their comment letters on the scope and aggregation sections of the asset adequacy testing (AAT) for Reinsurance Actuarial Guideline (AG) draft (Attachments A – I).

Andersen asked the Task Force whether they favored a broader scope for the draft actuarial guideline or preferred an approach more focused on the riskiest treaties. Fenwick stated that she would not like disparate treatment for treaties with similar levels of risk. Leung said that specific treaties may be more or less risky depending on the materiality to the ceding company, to which Clark agreed. Wolf noted that a smaller scope for the draft AG would not prohibit a domestic regulator from requesting additional analysis from a company not included in the scope of the actuarial guideline. Tsang said that he was worried about a level playing field for both large and small insurance organizations and would not want to discourage reinsurance agreements between small companies and reinsurers. After the discussion, Andersen requested a straw poll of Task Force members on the question of scope. Task Force members voted in favor of a more risk-focused scope, with Fenwick dissenting in favor of a broader scope.

Andersen then began discussion on the merits of defining the term “asset-intensive reinsurance” within the AAT for Reinsurance AG for use in determining scope. Hemphill supported creating a definition but noted that a given treaty could contain both asset-intensive and non-asset-intensive components. Bayerle suggested that the Appointed Actuary could use judgement of when to perform additional analysis on the component of the treaty that is asset-intensive. Andersen asked the Task Force if there was any objection to proceeding with defining asset-intensive reinsurance to determine the scope of the AAT for Reinsurance AG, to which no Task Force member objected.

Andersen introduced applicability of treaties based on effective date as the next topic for discussion. He noted that he performed an analysis that highlighted the potential need for different treaty effective dates based on affiliated or non-affiliated status. Andersen continued that his analysis showed that the non-affiliated treaties of interest had effective dates of 2020 and after, while treaties of interest that were effective before 2020 tended more to be affiliated. Chupp asked how the RAA came up with an effective date of 2020, to which Morell replied that the RAA was trying to keep the scope narrow while capturing a large percentage of the treaties of interest to state insurance regulators. Eom suggested using the earlier effective date based on Andersen's analysis, rather than splitting effective date based off affiliated status. Chupp and Chou both noted state specific regulatory practices that should be considered when determining treaties in-scope.

Gould noted concerns with missing risky reinsurance treaties if part of the scope only went back as far as 2020. Andersen noted that his analysis showed that more risky non-affiliated reinsurance treaties were effective on or after 2020, and that the idea behind a refined scope was to focus most on the riskiest reinsurance treaties. After noting there was no serious objection to pursuing a bifurcated approach to determining applicability based on effective date and affiliated status, Andersen said that this approach would be included in a revised AG draft.

Andersen introduced the next topic for discussion, the potential for reliance on reports deemed equivalent to the VM-30, Actuarial Opinion and Memorandum Requirements reports. Andersen said that equivalence could be possible if non-VM-30 reports contained adequate modeling of risks and transparency of assumptions. Hemphill noted the practical challenges of determining what types of reports would be equivalent, to which Eom agreed. Andersen noted that perhaps an anonymized report from a company could be discussed during a future meeting to provide an example of a report that may be able to be considered equivalent. Matson and Bayerle highlighted a potential situation where one could have reporting deemed equivalent but still see a decrease in total reserves held between cedant and reinsurer due to jurisdictional differences. They said that understanding these differences would be important.

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

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Draft: 10/24/24

Life Actuarial (A) Task Force
E-Vote
October 9, 2024

The Life Actuarial (A) Task Force conducted an e-vote that concluded Oct. 9, 2024. The following Task Force members participated: Cassie Brown, Chair, represented by Rachel Hemphill (TX); Scott A. White, Vice Chair, represented by Craig Chupp (VA); Lori K. Wing-Heier represented by Sharon Comstock (AK); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Ann Gillespie represented by Vincent Tsang (IL); Vicki Schmidt represented by Nicole Boyd (KS); Robert L. Carey represented by Marti Hooper (ME); Grace Arnold represented by Fred Andersen (MN); Chlora Lindley-Myers represented by William Leung (MO); Eric Dunning represented by Margaret Garrison (NE); D.J. Bettencourt represented by Jennifer Li (NH); Justin Zimerman represented by Seong-min Eom (NJ); Adrienne A. Harris represented by Bill Carmello (NY); Judith L. French represented by Peter Weber (OH); Michael Humphreys represented by Steve Boston (PA); and Jon Pike represented by Tomasz Serbinowski (UT).

1. Adopted its 2025 Proposed Charges

The Task Force conducted an e-vote to consider adoption of its 2025 proposed charges. Li made a motion, seconded by Chupp, to adopt the Task Force's 2025 proposed charges (Attachment A). The motion passed unanimously.

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

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Draft: 10/25/24

Life Actuarial (A) Task Force
Virtual Meeting
September 12, 2024

The Life Actuarial (A) Task Force met Sept. 12, 2024. The following Task Force members participated: Cassie Brown, Chair, represented by Rachel Hemphill (TX); Scott A. White, Vice Chair, represented by Craig Chupp (VA); Mark Fowler represented by Sanjeev Chaudhuri (AL); Lori K. Wing-Heier represented by Sharon Comstock (AK); Ricardo Lara represented by Ahmad Kamil and Thomas Reedy (CA); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Holly W. Lambert represented by Scott Shover (IN); Vicki Schmidt represented by Nicole Boyd (KS); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Chlora Lindley-Myers represented by William Leung and John Rehagen (MO); Eric Dunning represented by Margaret Garrison (NE); D.J. Bettencourt represented by Jennifer Li (NH); Justin Zimerman represented by Seong-min Eom (NJ); Adrienne A. Harris represented by Bill Carmello (NY); Judith L. French represented by Peter Weber (OH); Glen Mulready represented by Andrew Schallhorn (OK); Michael Humphreys represented by Steve Boston (PA); and Jon Pike represented by Tomasz Serbinowski (UT).

1. <u>Heard an Update on AAT for Reinsurance on a Potential Inquiry to Inform Scope Discussions</u>

Andersen provided background on the exposure of the asset adequacy testing (AAT) for reinsurance Actuarial Guideline, noting that distinct comment periods for comments relevant to respective sections had been specified. Regarding the comment period for the scope section, Andersen stated that the comment deadline would be pushed back to Oct. 3 to allow for an inquiry to take place with a series of insurance organizations with large treaties. Andersen said that the inquiry would look for feedback on whether AAT would be necessary for all large treaties or if a subset of large but lower risk treaties would not need testing.

2. <u>Adopted 2024 VM-20 HMI and FMI Rates</u>

Marianne Purushotham (Society of Actuaries—SOA) provided background on the development of the 2024 Valuation Manual (VM)-20, Requirements for Principle-Based Reserves for Life Insurance historical and future mortality improvement (HMI and FMI) rates.

Chupp made a motion, seconded by Reedy, to adopt the 2024 VM-20 HMI and FMI rates (Attachment A). The motion passed unanimously.

3. <u>Adopted its Summer National Meeting Minutes</u>

Chupp noted three editorial issues with the Task Force's Summer National Meeting minutes packet.

Chupp made a motion, seconded by Weber, to adopt the Task Force's Summer National Meeting minutes with his suggested editorial changes (*see NAIC Proceedings – Summer 2024, Life Actuarial (A) Task Force*). The motion passed unanimously.

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

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Draft: 9/27/24

Life Actuarial (A) Task Force
Virtual Meeting
September 5, 2024

The Life Actuarial (A) Task Force met Sept. 5, 2024. The following Task Force members participated: Cassie Brown, Chair, represented by Rachel Hemphill (TX); Scott A. White, Vice Chair, represented by Craig Chupp (VA); Mark Fowler represented by Sanjeev Chaudhuri (AL); Lori K. Wing-Heier represented by Sharon Comstock (AK); Ricardo Lara represented by Ahmad Kamil and Thomas Reedy (CA); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Amy L. Beard represented by Scott Shover (IN); Vicki Schmidt represented by Nicole Boyd (KS); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Chlora Lindley-Myers represented by William Leung and John Rehagen (MO); D.J. Bettencourt represented by Seong-min Eom (NJ); Adrienne A. Harris represented by Bill Carmello (NY); Judith L. French represented by Peter Weber (OH); Glen Mulready represented by Andrew Schallhorn (OK); Michael Humphreys represented by Steve Boston (PA); and Jon Pike represented by Tomasz Serbinowski (UT).

1. <u>Adopted the 2025 GRET Recommendation</u>

Yanacheak made a motion, seconded by Andersen, to adopt the 2025 Generally Recognized Expense Table (GRET) recommendation (Attachment A). The motion passed unanimously.

2. <u>Adopted APF 2024-11 (Revisions to Life PBR Exemption)</u>

Hemphill introduced amendment proposal form (APF) 2024-11, which would revise the *Valuation Manual* life principle-based reserve (PBR) exemption to account for changes made to the NAIC's annual statement blanks. Hemphill also noted a typo correction suggested by Boston in Valuation (VM) Section II, 1.G.2.e, where "group life certificate" should actually be referred to as "group life contract" for consistency. Hemphill said this would not require a re-exposure of APF 2024-11, as it strictly corrected a typo. Carmello said that a further tweak might need to be made to VM Section II, 1.G.2.e and other references in the VM to individual life contracts issued under a group life contract so that it reads "group life certificates issued under a group life contract." Yanacheak agreed.

Hemphill stated that instead, both potential editorial revisions should be a takeaway, as she wanted to confer with Mary-Bahna Nolan (Willis Towers Watson), who had worked on the original language addressing group life contracts under VM-20, Requirements for Principle-Based Reserves for Life Products, to understand the reasoning for the current terminology.

Chupp made a motion, seconded by Reedy, to adopt APF 2024-11 (Attachment B). The motion passed unanimously.

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

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Draft: 9/27/24

Life Actuarial (A) Task Force
Virtual Meeting
August 29, 2024

The Life Actuarial (A) Task Force met Aug. 29, 2024. The following Task Force members participated: Cassie Brown, Chair, represented by Rachel Hemphill (TX); Scott A. White, Vice Chair, represented by Craig Chupp (VA); Mark Fowler represented by Sanjeev Chaudhuri (AL); Lori K. Wing-Heier represented by Sharon Comstock (AK); Ricardo Lara represented by Ahmad Kamil and Thomas Reedy (CA); Andrew N. Mais represented by Wanchin Chou (CT); Amy L. Beard represented by Scott Shover (IN); Vicki Schmidt represented by Nicole Boyd (KS); Robert L. Carey represented by Marti Hooper (ME); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Chlora Lindley-Myers represented by William Leung and John Rehagen (MO); Eric Dunning represented by Margaret Garrison (NE); D.J. Bettencourt represented by Jennifer Li (NH); Adrienne A. Harris represented by Bill Carmello (NY); Judith L. French represented by Peter Weber (OH); Michael Humphreys represented by Steve Boston (PA); and Jon Pike represented by Tomasz Serbinowski (UT).

1. <u>Exposed APF 2024-13 (IMR Clarification)</u>

Hemphill provided background on amendment proposal form (APF) 2024-13, noting that it provides additional guidance on the treatment of negative interest maintenance reserves (IMRs).

Chupp made a motion, seconded by Weber, to expose APF 2024-13 for a 21-day public comment period ending Sept. 19. The motion passed unanimously.

2. <u>Exposed APF 2024-14 (Surrender Charge Waivers)</u>

Hemphill said APF 2024-14 addresses an issue raised by Task Force members who noted that they had seen increasing requests to expand the list of criteria for waiver of surrender charges on annuities. Hemphill further stated that there were questions of: 1) how material those waivers are; 2) whether there was any implication for valuations; and 3) how the surrender charge waivers were reflected in the valuation. Hemphill noted the issue was discussed among a small group of state insurance regulators who agreed to add reporting to better understand the materiality.

Chupp asked if a similar change should be made for the Valuation Manual (VM)-22, Requirements for Principle-Based Reserves for Non-Variable Annuities, draft. Hemphill said that the VM-22 (A) Subgroup will want to consider addressing the disclosure requirement in the VM-22 draft. Slutsker agreed with Hemphill and added that, where applicable, VM-22 and VM-21 should align. Hemphill noted that for VM-20, Requirements for Principle-Based Reserves for Life Products, the analogous waivers are usually addressed under the supplemental benefits and riders.

John Robinson (MN-Retired) noted the language in the APF did not specify the number of years of historical data that should be reported. He suggested a cover letter question regarding the number of years be included as part of the exposure. Hemphill noted the APF does not specify the number of years, intending for actuaries to use professional judgment, but agreed that a cover letter question could be included to request comments on the minimum number of years.

Andersen made a motion, seconded by Reedy, to expose APF 2024-14 with the cover letter question suggested by Robinson for a 21-day comment period ending Sept. 19. The motion passed unanimously.

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

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November 15, 2024

From: Fred Andersen, Chair
Indexed Universal Life (IUL) Illustration (A) Subgroup

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

Subject: The Report of the Indexed Universal Life (IUL) Illustration (A) Subgroup (IUL Illustration SG) to the Life Actuarial (A) Task Force

The IUL Illustration SG has not met since the adoption of group's main work product, revisions to Actuarial Guideline 49A, by the Life Actuarial (A) Task Force on December 11, 2022. The revisions to Actuarial Guideline 49A were subsequently adopted by the NAIC's Executive (EX) Committee and Plenary at the Spring National Meeting on March 25. Regulators are reviewing the impact of the Guideline revisions on the market. 2025 charges for the Subgroup are being considered by the NAIC's Executive (EX) Committee and Plenary that would rename the Subgroup to be the "Life and Annuity Illustration (A) Subgroup" and expand its role into annuity illustrations.

November 15, 2024

From: Fred Andersen, Chair
The Experience Reporting (A) Subgroup

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

Subject: The Report of the Experience Reporting (A) Subgroup to the Life Actuarial (A) Task Force

The Experience Reporting (A) Subgroup has not met since the Summer National Meeting. Upcoming projects include monitoring the plans for collecting life insurance mortality and policyholder behavior data using the NAIC as the statistical agent, starting to develop mandatory reporting of group annuity – pension risk transfer data, and continuing to work on evaluating actuarial aspects of accelerated underwriting.

An amendment proposal form (APF) was exposed regarding the mandatory reporting of group annuity – pension risk transfer business. The NAIC has identified additional individuals to work with the Experience Reporting (A) Subgroup to review and enhance this APF. The Subgroup plans to meet to begin this process in early December.

A working group has been formed to draft an APF to collect additional life data regarding simplified and accelerated underwriting. Work on this APF is currently ongoing.

November 15, 2024

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

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

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

The Longevity Risk (E/A) Subgroup has not met since the 2024 Summer National Meeting. The subgroup will resume the meetings once the currently exposed VM-22 PBR methodology is finalized and adopted to develop and recommend longevity risk factor(s) for the product(s) that were excluded from the application of the current longevity risk factors.

November 15, 2024

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

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

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

The VACR SG met October 18, 2024, to discuss potential changes to the Annual Statement Variable Annuity Supplement. Potential changes are being considered in response to the work being done at the Valuation Manual (VM)-22 (A) Subgroup. The VM-22 SG has developed an annual statement supplement for reporting non-variable annuities which provides information for non-variable annuity product reserves and VM-22 reserve components broken out into various product categories.

The chair described the current annual statement Variable Supplement and walked through a document that offered ideas for how that supplement could be made more useful if a similar structure to what the VM-22 SG was proposing was implemented. Following robust discussion, the chair incorporated many of the comments made on the call into a revised document and that version was exposed for 90 days, until January 21, 2025.

The VACR SG also discussed a plan for aligning the requirements in VM-21 to those in VM-22 where appropriate. There will likely be many improvements that can be made to VM-21 based on the work being done on VM-22. Any improvements are not intended to be substantial changes, but rather improved accuracy and clarity of wording in VM-21. Based on comments from the VM-22 SG vice chair, it was decided that there was still the potential for many changes to the draft VM-22 requirements, and it would be better to wait until it was more complete. The VACR SG will revisit the question in the first quarter of 2025.

Draft: 11/1/24

Variable Annuities Capital and Reserve (E/A) Subgroup
Virtual Meeting
October 18, 2024

The Variable Annuities Capital and Reserve (E/A) Subgroup of the Life Risk-Based Capital (E) Working Group and the Life Actuarial (A) Task Force met Oct. 18, 2024. The following Subgroup members participated: Pete Weber, Chair (OH); Thomas Reedy and Elaine Lam (CA); Fred Andersen (MN); William Leung (MO); Seong-min Eom (NJ); Bill Carmello and Michael Cebula (NY); and Rachel Hemphill (TX).

1. Discussed Potential Additions to the Variable Annuities Supplement in the Annual Statement

Weber started the meeting by walking through the *Valuation Manual* (VM)-22, Requirements for Principle-Based Reserves for Non-Variable Annuities, supplement draft. He pointed out that the prior year and current year reserves are broken out by different product types, and components of the reserve calculation are shown on the supplement draft. Weber recapped the two-part variable annuities (VA) supplement in the annual statement. He asked whether regulators want to see any changes to the current VA supplement, which can provide more useful information as they monitor the business.

Weber shared his initial thoughts on the potential additions to the VA supplement. First, he proposed to categorize the variable annuity guaranteed living benefit (VAGLB) products into five phases, including accumulation or withdrawal. Second, he showed a list of 10 product types that are related to the variable annuities and defined in VM-01, and none involved the guaranteed minimum death benefit (GMDB). Third, Weber posed a question on whether there is a need to reflect optimally efficient withdrawers that are possibly over or under. He questioned if the VA products in various combinations of VAGLB and GMDB should be shown either in one single row as the VM-22 supplement draft does or in two columns like the current VA supplement does. Fourth, Weber commented that a couple of very specific product types that are listed in the VM-21 standard projection amount (SPA) assumption section were not defined in the VM-01. He mentioned tax-qualified and non-qualified products and said the delineation drives SPA assumption. He also pointed out that the simple 403(b) contracts were not defined either. Lastly, Weber suggested considering the reporting format for the GMDB contracts that are valued under the alternative method, as well as the index-linked variable annuities. Weber said his goal is to expose his initial thoughts and gather comments.

Carmello said the five proposed product categorizations can be combined and merged into the existing 10 product types in VM-01. Reedy said this proposal is good because the granular categorization will sync up with the granularity of the policyholder behavior that is described in the VM-31 report. However, it should not be too granular. Weber responded that there is a balance between granularity and usefulness.

Brian Bayerle (American Council of Life Insurers—ACLI) said he liked what Carmello suggested especially with Reedy's feedback. He suggested the categorization should align as closely as possible with the company's existing reporting. Additionally, he said the feedback in response to the exposure should consider what data should be collected in terms of additional columns on the VA supplement.

Timothy Ritter (Jackson National Life Insurance Company) followed up on what Bayerle said and expressed his concern with the challenge when components of the VM-21 reserve calculation need to be split up between the proposed product categories. He said the final aggregated reserve is allocated back to the contract level, but the guidance for allocation to all the different components of the reserve calculation would not necessarily exist.

Weber said he would have a chair exposure of a document within the next few days, which is based on his initial thoughts and also reflect the comments made so far. No Subgroup members opposed. Eom asked whether Weber wants to split the indexed-linked variable annuities to be more consistent with the VM-22 supplement draft. Weber said he needs to add it as a product category in the exposure.

2. Discussed a Plan for Aligning VM-21 and VM-22

Weber said he received an email from the chair of the American Academy of Actuaries (Academy) VA capital and reserve subcommittee asking whether there is any plan for the alignment between VM-21 and VM-22. He said the results of the field test and model office testing for VM-22 are coming up in the first quarter of 2025 and made a comment on potential wasted efforts as a result of starting the alignment too soon. Weber asked for thoughts from the Subgroup members on the timing and potential plan for reviewing VM-21 based on what the VM-22 (A) Subgroup has put together.

Lam, who is Vice Chair of the VM-22 (A) Subgroup, provided updates on VM-22. She expects there will be many changes to the VM-22 requirements based on the field test results. The VM-22 (A) Subgroup has started the work of identifying things that should be aligned between VM-21 and VM-22, as well as those things that should not be aligned. She suggested the Subgroup wait until the VM-22 requirements are more settled and finalized to start the alignment.

Bayerle asked whether changes could be made to VM-22 right after its implementation due to the alignment. Weber thought, in most cases, VM-21 would be changed to align with VM-22, which is one direction only. Lam said she agreed with Weber. She said the alignment would be largely around language. Weber said he does not envision major changes to VM-21 resulting from the alignment project.

Having no further business, the Variable Annuities Capital and Reserve (E/A) Subgroup adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/A CMTE/LATF/2024-3 Fall/VACR SG Calls/10 18/VACR 10-18-2024 Minutes.docx

Agenda Item 2

Consider Adoption of the Report of the Valuation

Manual (VM)-22 (A) Subgroup, and Hear a

Presentation on the VM-22 Model Office Testing

Model Office Presentation Pending

November 15, 2024

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

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

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

The NAIC VM-22 (A) Subgroup has met multiple times since the NAIC Summer National Meeting. The group has addressed comments made in response to the latest exposure of the Additional Standard Projection Amount section of the VM-22 draft. In addition, various corrections and clarifications were made in response to questions that arose from participants during the VM-22 field test.

The VM-22 field test itself took place over July through September and all responses have now been collected by the NAIC and American Academy of Actuaries (Academy). Ernst & Young (E&Y) is also analyzing results and generating model office output. The Academy and E&Y will present more details on their progress after the conclusion of this VM-22 (A) Subgroup report to the Life Actuarial (A) Task Force (LATF).

There are now proposed drafts for VM-22 requirements, the Additional Standard Projection Amount, a new VM-V section, VM-31 disclosures, the VM-22 Supplement Blank, and various other edits to VM Section II, VM-01, and VM-G to accommodate a potential VM-22 principles-based reserving (PBR) adoption. All of these documents have been exposed, with subsequent changes made to address comments received during the exposure period.

That said, there are a few large items that remain for the Subgroup to address prior to finalizing its recommendation to LATF:

- Reinvestment Mix Guardrail: either (1) 50%/50% AA/A, (2) 5%/15%/80% UST/AA/A, or (3) 5%/15%/40%/40% UST/AA/A/BBB
- Stochastic Exclusion Ratio Test (SERT): setting the threshold percentage and mortality shocks
- Additional Standard Projection Amount assumptions: withdrawals and surrenders
- Longevity Reinsurance: k-factor method, ACLI proposal, or 2% of annual benefit floor
- Purpose of Additional Standard Projection Amount: (1) reserving floor or (2) disclosure-only

The Subgroup will continue to hold calls through December and the first half of 2025 to address these items, as well as provide a final chance to revisit key elements of the framework. VM-22 PBR is still on track for completion in mid-2025, with potential adoption in time for a 1/1/2026 effective date, and a three-year optional implementation period ending in 1/1/2029, after which requirements would become mandatory for non-variable annuity contracts on a prospective basis.

Draft: 11/07/24

Valuation Manual (VM)-22 (A) Subgroup
Virtual Meeting
November 6, 2024

The VM-22 (A) Subgroup of the Life Actuarial (A) Task Force met Nov. 6, 2024. The following Subgroup members participated: Ben Slutsker, Chair (MN); Elaine Lam, Vice Chair (CA); Lei Rao-Knight (CT); Vincent Tsang (IL); Nicole Boyd (KS); William Leung (MO); Seong-min Eom (NJ); Bill Carmello (NY); Rachel Hemphill and Iris Huang (TX) and Craig Chupp (VA).

1. Adopted Preneed Annuity Exclusion Edits to the VM-22 Draft

Slutsker provided an overview of the proposed edits to VM-22, Principle-Based Reserves for Non-Variable Annuities by Homesteaders Life Company (Attachment 1). Scott Michels (National Guardian Life Insurance Company—NGL) discussed NGL's support for the exposed language to exclude preneed annuity from VM-22 (Attachment 2). Carmello said he supported excluding preneed annuities. Colin Masterson (American Council of Life Insurers—ACLI) said the ACLI supported the proposal.

Leung made the motion, seconded by Chupp, to adopt the recommended edits to exclude preneed annuities from VM-22 principle-based reserving requirements in the VM-22 draft. The motion passed.

2. Exposed Longevity Reinsurance Reserve Flooring Methodologies

Masterson (ACLI) provided an overview of the longevity reinsurance treaty (LRT) illustration, an example of the different approaches and responses to the comments (Attachment 3). Masterson stated the ACLI supports an approach for LRT that would floor reserves at the treaty level and not reflect the k-factor. Masterson noted that the k-factor approach may accomplish state insurance regulators' goal to have positive reserves emerge sooner than anticipated with the ACLI proposal. However, if mortality assumptions change over time, the k-factor will create the undesired effect of significant jumps in reserves and profits. Masterson said the representative cell and assumptions in the illustration show zero reserves for several years under the ACLI proposal depending on the average age for the treaty, treaty structure, and product demographics, and positive reserves may emerge earlier.

Eom presented an alternative to the ACLI proposal that floors treaties at a positive number rather than zero (Attachment D). Eom said for LRT the simple PBR approach (the present value of future benefit minus the present value of future premiums) can have negative results in early durations for a long time. Eom explained that the k-factor PBR reserves will fall short of the gross premium PBR reserves in later durations. Eom said the goal of this alternative treaty-floor proposal was to raise the reserves above zero in early durations without falling short of the gross premium PBR reserves in later durations. Eom recommended setting the reserve floor to 2% of the longevity reinsurance benefits payable within the next 12 months because a zero floor results in zero reserves for too long in early durations.

Eom made a motion, seconded by Lam, to expose the non-zero treaty-floor alternative longevity reinsurance reserve flooring proposal and the comparison of the different methodologies for a 32-day public comment period ending Dec. 9th. The Subgroup agreed to expose the positive floor methodology.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/A CMTE/LATF/2024-3-Fall/VM-22 Calls/11 06/Nov6 VM22Minutes.docx

Draft: 11/6/24

Valuation Manual (VM)-22 (A) Subgroup
Virtual Meeting
October 23, 2024

The VM-22 (A) Subgroup of the Life Actuarial (A) Task Force met Oct. 23, 2024. The following Subgroup members participated: Ben Slutsker, Chair (MN); Elaine Lam, Vice Chair (CA); Lei Rao-Knight (CT); Mike Yanacheak (IA); Nicole Boyd (KS); William Leung (MO); Bill Carmello (NY); Rachel Hemphill and Iris Huang (TX); Tomasz Serbinowski (UT) and Craig Chupp (VA).

1. Discussed VM-22 SPA Draft Comments

A. Unbuffered Amount Calculation for DR

Slutsker noted a question that has repeatedly surfaced: if a deterministic reserve (DR) is elected through the deterministic certification option, is it required to have a standard projection amount (SPA)? If so, what should be done with the buffer. Slutsker said the intention is that the SPA is required, and there should be clarification made in the draft to address how to calculate the buffer since there are no CTE70 and CTE65 calculations for a single scenario. Slutsker said the proposed edits to Section 6.B.4.a-b are to explicitly state that a single scenario reserve will be used for the DR. Chupp noted similar changes would also be needed in Section 6.A.1 and the main VM22, Requirements for Principle-Based Reserves for Non-Variable Annuities, draft. The Subgroup agreed to the clarifying edits to use require an SPA calculation for the DR.

Slutsker described two options in Section 6.B.4.c. for the buffer calculation. Option 1 is to have the buffer amount set using a single scenario that is calibrated to the CTE65 and has several advantages: 1) there is consistency with a currently drafted footnote in the proposed VM-22 Reserves Supplement; 2) there is more consistency with the stochastic reserve (SR) calculation; and 3) there is some flexibility in which valuation date to select the scenario that calibrates. Option 2 is to have no buffer for the DR which has the advantage of simplicity from a review and implementation basis. However, the disadvantages are inconsistency with the SPA for the SR and likely a higher resulting reserve.

David Reynolds (Legal and General) asked if the Subgroup had made the decision to use the ASPA as a component of the reserve or will it serve more as a disclosure item. Slutsker said for VM-21, Requirements for Principle-Based Reserves for Variable Annuities, it is part of the reserve and serves as a guardrail. However, Slutsker said that determination had not been made for VM-22. Under either direction, the calculation itself would be the same but there would be different impacts to the final reserve. This is planned to be discussed in early 2025. Slutsker recommended option 1 going forward and to include option 2 as part of the drafting note and include it in the next exposure to get comments. The Subgroup agreed to ask for clarifying comments on the next exposure and will use option 1 as the default with option 2 as an alternative in a drafting note.

B. Location of Mortality Requirements in SPA Section

Slutsker introduced the comment that noted there is mortality guidance for pension risk transfers (PRTs), single premium immediate annuities, longevity risk transfers and structured settlements in the guaranteed actuarial present value (GAPV) section. However, he said these products may not actually have a GAPV. The Subgroup agreed to move the mortality requirements from the GAPV section to Section 8 where the broader mortality requirements reside.

C. Future Mortality Improvement in GAPV Calculation

Slutsker noted the issue arose from the field test regarding how far the improvement can be applied. Slutsker said the date in Section 6.C.3.e was confirmed to be 2022 (not 2021) by the Society of Actuaries (SOA) and the intent is that the GAPV would restrict the mortality movement beyond Dec. 31, 2022. Slutsker noted part of the reason it was put into VM-22 was for consistency with the fixed date in VM-21. Brian Bayerle (American Council of Life Insurers—ACLI) said leaving it as is for consistency to be arrived later would be fine. However, he said he is also OK with removing the static date. Carmello said he supported doing what the Subgroup deems appropriate considering the lack of rationale for it and consider updates to VM-21 later. Bruce Friedland (American Academy of Actuaries—Academy) suggested finding out more about the rationale and if that date needs to be moved in the future and when. The Subgroup agreed to remove the limitation in Section 6.C.3.e on mortality improvement to simply reference Section 6.C.8 and add a drafting note to receive comments.

D. Clarification of Valuation Date for Discounting

Carmello suggested that the definition of valuation date in Section 6.C.3.f should be the date the financial report is being developed. The Subgroup agreed to move forward with the edit.

E. ANB vs ALB

Slutsker noted the SOA was consulted during the field test and they identified that the assumptions as based on age nearest birthday (ANB) and both the factors and tables would need to be adjusted to convert to age last birthday (ALB). The Subgroup agreed to include a guidance note to clarify the draft based on the SOA feedback.

F. Structured Settlement Mortality Table Clarification

Slutsker noted there were questions if the definition of duration in Table 6.4 meant since issue or from the valuation date. The Subgroup agreed to change the term “duration” to “contract year” to align with the SOA confirmed interpretation that duration meant contract year.

G. Mortality Flooring for Group Annuities, International and Longevity Reinsurance Contracts

Bayerle said the issue is that the mortality flooring requirement at the company's prudent estimate is inconsistent with VM-21 and the intent of the SPA to catch assumption outliers. Bayerle noted there may be instances where an individual assumption could be greater or less than a company’s prudent estimate assumptions and should be consistent with the other assumptions within the SPA. Bayerle said performing this comparison negates the ability to decide whether the prudent best estimate might be an outlier in this case. The Subgroup agreed to remove the comparison to the company’s prudent best estimate and just use the 1994 Group Annuity Mortality (GAM) with Projection Scale AA since the comparison is already done in aggregate, and the more granular level comparison is not done elsewhere in the framework.

2. Discussed Comments Received on the VM-22 Draft

Slutsker outlined several areas of clarification that arose from the field test. Slutsker introduced one that noted the need for VM II. Section 2.C to better define the date for settlement options to be subject to VM-22 because the date could be: 1) the issue date of the settlement option; or 2) the issue date of the contract from which the settlement originated. Carmello recommended the issue date of the settlement option as currently written unless a company receives approval from its domestic regulator to do it another way. Slutsker agreed with Carmello that the date of the settlement option makes sense but should be consistent with the current VM-22, Statutory Maximum Valuation Interest Rates for Income Annuities. The Subgroup agreed to move forward to be consistent with VM-22, Statutory Maximum Valuation Interest Rates for Income Annuities language.

Slutsker noted another clarification needed regarding the scope of funding agreements in VM-22. Slutsker said that if the funding agreements should be in the list of contracts out of scope in VM II. Section 2.D then a definition should be added to VM-01, Definitions for Terms in Requirements. Slutsker noted that the definition added to the draft was based on the definition in the annuity model regulation. Carmello suggested removing the specification of a group of contracts from the definition because that is already a group product. Katie Rook (Equitable) agreed with this change. The Subgroup agreed to exclude funding agreements from the scope of VM-22 and to make the edit to the definition to remove "group of."

Slutsker discussed why, under VM-22, the benefits that stem from variable annuity contracts, like guaranteed minimum income benefit (GMIB) annuitizations, are included in the accumulation reserving category while all other payout contracts like structured securities fall into the payout category even though the risk profiles are similar. Slutsker said the Subgroup discussed this on a prior call and the preliminary vote was to put a deferred annuity with an exhausted fund value in the accumulation category. Slutsker noted one option discussed was to put a deferred annuity in the payout annuity reserving category because it essentially becomes a payout annuity once the fund value is exhausted, but then it would be in a different category that cannot be aggregated with contracts that do not have the fund value exhausted even though they are the same contract types.

Slutsker said the other option discussed was to keep the deferred annuity with an exhausted fund value in the accumulation reserving category and keep it with the same contracts and do not switch categories. Bayerle said one of the reasons for keeping contracts in the same reserving category is due to the exclusion tests. Bayerle explained that it might be difficult for some companies to calculate the stochastic excusion ratio test (SERT) and set reserves if the reserving category switches as a result of fund exhaustion. Slutsker suggested that since this item was a close vote, it should have a drafting note to revisit later and point it out when the recommendation is made to the Life Actuarial (A) Task Force. Carmello suggested including other items that were close votes when the recommendation is made to the Task Force. The Subgroup agreed to move forward with this drafting note.

Slutsker introduced another comment regarding Section 4.D.1.a language asking the Subgroup to clarify that the starting asset amount should include an allocated pre-tax interest maintenance reserve (PIMR) as implied in the first paragraph of the section but is not mentioned as a component later in the same section. Hemphill and Carmello agreed the edit made sense. Hemphill noted that the Task Force made recent edits around PIMR and negative values and she questioned whether the PIMR discussion in the VM-22 draft was patterned off of VM-20 or VM-21. Hemphill said VM-20 needed an edit because the treatment needed to follow VM-30, Actuarial Opinion and Memorandum Requirements language. Slutsker said the Subgroup will follow up to ensure consistency with the recent changes to the *Valuation Manual* regarding PIMR.

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

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Draft: 11/5/24

Valuation Manual (VM)-22 (A) Subgroup
Virtual Meeting
October 9, 2024

The VM-22 (A) Subgroup met Oct. 9, 2024. The following Subgroup members participated: Ben Slutsker, Chair (MN); Elaine Lam, Vice Chair (CA); Lei Rao-Knight (CT); Mike Yanacheak (IA); William Leung (MO); Seong-min Eom (NJ); Bill Carmello (NY); Rachel Hemphill and Iris Huang (TX); Tomasz Serbinowski (UT) and Craig Chupp (VA).

1. Discussed a Preneed Annuity Comment Letter

Tom Doruska (Homesteaders Life Company) presented proposed changes to the VM-22, Requirements for Principle-Based Reserves for Non-Variable Annuities, draft to remove preneed annuities from scope. He said that preneed annuities are simple fixed deferred annuities used to pay for goods and services related to a policyholder's death. Doruska noted these are typically small contracts under $10,000 in benefits without guaranteed living benefits (GLBs) and no guaranteed interest rate aside from nonforfeiture benefits. He noted that a distinction between preneed life insurance and preneed annuities is that preneed life insurance has specific preneed mortality tables and valuation formulas, while preneed annuities do not.

Serbinowski suggested the Subgroup consider whether to carve out simple products like this that have no guarantees even if the products are used outside of the preneed market to avoid defining preneed annuity. Doruska stated that the policyholder behavior for preneed annuity differs from other simple fixed deferred annuities because if a policyholder terminates their policy or accesses a partial surrender, those actions will disrupt their funeral plan.

Leung asked if the preneed annuity valuation method would default to the current Commissioner Annuity Reserve Valuation Method (CARVM). Doruska said the intent of the proposed language is to default to the current CARVM rules for these products. Carmello questioned whether contracts exempted from VM-22 should be allowed to use the principle-based reserving (PBR) rules even if they do not have to. Bruce Friedland (American Academy of Actuaries—Academy) said he thought blocks that would otherwise be exempt could go through PBR if a company is willing to go through all the requirements. Hemphill said that for life insurance, there is a distinction between products that are subject to the exemption tests and those that are not subject to VM-20, Requirements for Principle-Based Reserves for Life Products. Hemphill added that the Subgroup should be mindful that the optionality to do PBR or not for VM-22 may put a burden on companies regarding governance and VM-31, PBR Actuarial Report Requirements for Business Subject to a Principle-Based Valuation, documentation.

Slutsker said that the PBR framework was constructed on the premise that companies must go through the exclusion tests for a block of business or a product type to gain access to PBR. Therefore, if there is no exclusion test for a product, then there is no reporting. Carmello said it made sense to exempt this product outright rather than having some optionality of doing PBR and suggested that companies in the preneed space should comment on their concerns with the proposal. Leung made a motion, seconded by Yanacheak, to expose the preneed annuity comment letter for a 21-day public comment period ending Oct. 30. The motion passed.

2. Discussed SPA Exposure Comments

The Subgroup agreed to review each comment incorporated into the draft and accept the edits where there are no objections. Otherwise, it will discuss and request more information to revisit at a subsequent meeting.

Brian Bayerle (American Council of Life Insurers—ACLI) noted there should be consistency across VM-21, Requirements for Principle-Based Reserves for Variable Annuities, and VM-22 regarding the inflation and base expense assumptions. He suggested the future inflation assumption in the current draft of 2% be updated to 2.5%. The Subgroup agreed to update Section 6.C.2.a and Section 6.C.2.c future inflation assumption to 2.5% to be consistent with both VM-21 and the historical inflation assumption of 2.5%.

Bayerle said the base maintenance expense assumption for the fixed indexed annuities in Table 6.1 are prescribed to be $100. He noted that while this is the same as for variable annuities (VA), the fee for fixed annuity contract would generally be expected to be significantly lower than the VA contract even though both have GLBs. Carmello suggested these assumptions should be based on the studies available, and it may be different from VA, but that that number may change over time. Yanacheak agreed with Carmello.

Slutsker noted that the assumptions in the VM-22 standard projection amount (SPA) draft came from a WTW presentation from the Subgroup's meeting on Nov. 30, 2022. Slutsker asked the ACLI to propose an expense assumption for the fixed indexed annuities. Bayerle agreed to take the request back to ACLI membership. The Subgroup will revisit this assumption during a future meeting.

Bayerle said the ACLI is looking for a clarification of "All other contracts" in Table 6.1 Base Maintenance Expense assumptions since many individuals may be covered on one policy for institutional products. Carmello said the intent was participants, not one contract or group, and suggested making an edit to clarify. The Subgroup agreed to put in a placeholder of "All other individual contracts or participants in a group contract" and add a drafting note until the assumption can be further addressed. Bayerle agreed to have ACLI membership review the assumption of $75 per participant in a group contract for appropriateness or propose an alternative. The Subgroup will revisit this assumption during a future meeting.

Slutsker said there had been some confusion regarding the application of the percent of account value expense assumption outlined in Section 6.C.2.b to products without account values. Carmello agreed with the ACLI proposal to proxy the account value as the present value of the benefit using the 10-year U.S. Treasury (UST10Y) at the valuation date to discount. The Subgroup agreed to move forward with this approach.

Slutsker said between the field test discussions and the ACLI comments, there is clarification needed for Section 6.C.3 regarding whether guaranteed minimum death benefits (GMDB) are included in the guaranteed actuarial present values (GAPV) definition because under VM-21, the GMDB is not included. Bayerle agreed to have ACLI membership work on proposed language to clarify this. The Subgroup will revisit this assumption during a future meeting.

Slutsker noted that the discussions during the field test and the ACLI comments identified clarifications needed for the calculation of integrated benefits in Section 6.C.3. The ACLI commented that for the future projection period, the survival factor appears to apply only to the living benefit and not the death benefit.

Angela McShane (EY) said the intent of the calculation is to discount both the death and living benefits each period. She also said the formula needs to be updated. Chris Conrad (American Academy of Actuaries—Academy) agreed. Linda Lankowski (RGA) said the correct notation depends on how the variables are defined in the formula. The Subgroup agreed to revisit this after appropriately defined notation is proposed.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/A CMTE/LATF/2024-3-Fall/VM-22 Calls/10 09/Oct 9 VM22Minutes.docx

Agenda Item 3

Receive an Update on the Generator of Economic Scenarios (GOES) Field Test, and Consider Adoption of the Report of the GOES (E/A) Subgroup

GOES Update Presentation Pending

Draft: 11/05/24

Generator of Economic Scenarios (GOES) (E/A) Subgroup
Virtual Meeting
October 16, 2024

The GOES (E/A) Subgroup of Life Risk-Based Capital (E) Working Group and Life Actuarial (A) Task Force met Oct. 16, 2024. The following Subgroup members participated: Mike Yanacheak, Chair (IA); Pete Weber, Vice Chair (OH): Ted Chang (CA); Scott Shover (IN); Ben Slutsker (MN); William Leung (MO); Bill Carmello (NY); Rachel Hemphill (TX); and Craig Chupp (VA).

1. Discussed SERT Scenario Feedback

Scott O'Neal (NAIC) presented feedback from Field Test II participants on stochastic exclusion ratio test (SERT) Scenarios (Attachment 1). Weber said that the Subgroup had the option of simply adjusting the SERT passing threshold or altering the SERT scenarios, but he was unsure of unintended consequences that could arise from adjusting the threshold. Hemphill proposed changing the threshold as the expedient next step, followed by working to improve the SERT scenarios at a later date. She suggested options like certification methods for incorrect failures and supporting documentation for unexpected passes. Slutsker said that he was not concerned about false failures due to the current VM-20, Requirements for Principle-Based Reserves for Life Insurance, certification method's three-year lookback flexibility to non-flexible premium products. He proposed reducing volatility for nonmaterial secondary guarantees under 20 years by allowing the certification method for those products to use a lookback period of three-years rather than the currently prescribed. Connie Tang (Retired) inquired about data supporting which scenarios caused failures. O'Neal noted some data from the 2024 field test was available. However he said it was inconsistent between runs and participants and required further research. Colin Masterson (American Council of Life Insurers—ACLI) asked if the ACLI could distribute the material for more feedback, and Yanacheak agreed. Yanacheak responded that this item could be included in an exposure to formally receive feedback on.

O'Neal continued the presentation with a discussion of the feedback on the deterministic reserve (DR) scenario. Tang noted that feedback on the conservatism of the DR scenario was more related to the calibration of the underlying stochastic scenarios, which Steve Strommen (Blufftop LLC) supported. Strommen added that the current calibration included a "low for long" criterion that was significantly more severe than any observed behavior, leading to intentionally harsher low scenarios. O'Neal, noting that the 20-year UST DR scenario was less extreme than the one-year UST DR scenario, asked whether companies were more concerned with the longer maturity DR scenarios or the shorter maturity DR Scenarios. Tang said it could vary depending on a company's products and investment strategies. Yanacheak asked O'Neal to provide more data and charts on the different maturity Treasury DR scenarios, to which O'Neal responded could be provided in the exposure.

2. Discussed Scenario Selection

O'Neal introduced the Excel-based scenario selection tool used in the 2024 field test, developed by Conning. O'Neal asked the Subgroup if the tool meets regulatory and industry needs. Carmello inquired if companies would get the same scenarios with identical parameters and inputs, and O'Neal affirmed this. Hemphill noted the *Valuation Manual* required a robust demonstration that any scenario reduction techniques do not materially lower or bias the reserve. Chang supported adding language to the *Valuation Manual* requiring companies to provide reasoning or seek approval if they change their scenario selection methodology between valuations. Having no further business, the GOES (A) Subgroup adjourned.

Draft: 11/6/24

Generator of Economic Scenarios (GOES) (A) Subgroup
Virtual Meeting
October 9, 2024

The GOES (A) Subgroup of Life Actuarial (A) Task Force met Oct. 9, 2024. The following Subgroup members participated: Mike Yanacheak, Chair (IA); Pete Weber, Vice Chair (OH); Ted Chang (CA); Wanchin Chou (CT); Ben Slutsker (MN); Seong-min Eom (NJ); Bill Carmello (NY); and Rachel Hemphill (TX).

1. Discussed Initial Yield Curve Fit and SERT Scenario Field Test Participant Feedback

Scott O'Neal (NAIC) walked through a presentation (Attachment 1) on feedback from the 2024 GOES field test participants on initial yield curve fitting and stochastic exclusion ratio test (SERT) scenarios. After O'Neal's discussion of the initial yield curve fitting, Brian Bayerle (American Council of Life Insurers—ACLI) presented an alternative methodology (Attachment 2). Bayerle said that Conning's current approach prioritizes the short end of the curve when fitting the Treasury model against the initial yield curve. Bayerle emphasized the importance of avoiding overstating or understating modeled rates to prevent non-economic volatility in reserves and capital. Yanacheak inquired about any industry concerns with the ACLI's approach, and Bayerle responded that the ACLI has not encountered any opposition to the alternative proposal. Yanacheak then asked about the large fitting errors in the shorter maturities and their potential impact on reserves and capital. Bayerle responded that due to the faster mean reversion of the shorter end of the curve, rates are expected to realign within a year and, therefore, should have a small impact.

Dan Finn (Conning) presented on the Initial Treasury Fit Approach and alternative calibrations in the GEMS model (Attachment 3). Iouri Karpov (Prudential) noted that his concern was with how the fitting errors played out in the projected scenarios and not necessarily the fitting errors at the start of the projection. Karpov also noted that Conning's approach put too much weight on fitting shorter maturities, which he felt was not appropriate given life insurers' typical investments in longer maturity assets. Weber commented that targeting longer tenors is logical given insurers' longer investment portfolios, a view that Randall McCumber (Lincoln Financial Group) supported. Chang noted that the performance of the two fitting methodologies would be dependent on the starting yield curve. Yanacheak noted that this topic would need additional discussion during a future Subgroup meeting.

O'Neal concluded the presentation of feedback from GOES 2024 field test participants on SERT scenarios, highlighting passing ratios across products subject to VM-20, Requirements for Principle-Based Reserves for Life Products. O'Neal said that participants suggested that the SERT scenarios, and in particular the deterministic reserve (DR) scenario, were too adverse.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/A CMTE/LATF/2024-3-Fall/GOES SG Calls/Oct 9/October 9 Minutes.docx

Draft: 11/6/24

Generator of Economic Scenarios (GOES) (E/A) Subgroup
Virtual Meeting
October 2, 2024

The GOES (A) Subgroup of the Life Risk-Based Capital (E) Working Group and Life Actuarial (A) Task Force met Oct. 2, 2024. The following Subgroup members participated: Mike Yanacheak, Chair (IA); Pete Weber, Vice Chair (OH); Ted Chang (CA); Wanchin Chou (CT); Philip Barlow (DC); Scott Shover (IN); Ben Slutsker (MN); William Leung (MO); Seong-min Eom (NJ); Bill Carmello (NY); and Rachel Hemphill (TX).

1. Discussed Field Test Participant Feedback on the UST, Equity, and Corporate Models

Scott O'Neal (NAIC) walked through a presentation (Attachment 1) highlighting feedback on the U.S. Department of the Treasury (Treasury Department), equity, and corporate models from field test participants. After discussion of feedback from participants on the level of negative interest rates present in the Treasury Department scenarios, Brian Bayerle (American Council of Life Insurers—ACLI) delivered a presentation (Attachment 2) on the ACLI's proposed dynamic generalized fractional floor (GFF). Yanacheak inquired whether the ACLI had identified any unintended consequences, to which Bayerle responded that they had not observed any.

Dan Finn (Conning) noted that while the proposal would reduce the frequency of negative rates, he anticipated a minimal impact on reserves due to the small magnitude of shifts to the rates. Hal Pedersen (American Academy of Actuaries—Academy) raised a concern about potential distortions in returns, particularly among different tenors of bond returns in a low-interest environment. He warned that this could render certain asset classes unattractive and create disincentives to invest in short-term tenors. Carmello asked if it would be possible to make the approach arbitrage-free. Pedersen replied that there is no straightforward solution to remove these distortions. Pedersen noted that while adopting a shadow rate model could be a potential approach, it would require significant effort from Conning.

Iouri Karpov (Prudential) commented that the ACLI's proposed approach closely resembles the current method and would impact only a small subset of rates below 40 basis points (bps). Karpov added that the potential unintended consequences would likely be no greater than those under the current structure, given the similarity of the proposed floor to the original GFF. Weber echoed Karpov's sentiment, noting that the observed phenomenon is already present in the current model. Weber, Eom, and Carmello voiced support for the dynamic GFF alternative approach in curbing the prevalence of negative rates. However, for the long term, they said there is a need to revisit and think about revising the current Treasury model to address the incentive or lack of to invest in certain asset classes.

After O'Neal walked through feedback on the equity model, Carmello stated that he felt that the equity calibration was appropriately conservative and recommended no changes. Hemphill noted that the Subgroup did not prioritize the portion of the gross wealth factor (GWF) acceptance criteria for the minimum and maximum due to the wide range of results seen in maximums and minimums across the reference models that were used in the development of the criteria. Bayerle (ACLI) then presented an alternative equity model calibration (Attachment 2) recommended by the ACLI that had closer alignment to the lower percentiles of the equity GWF acceptance criteria. Hemphill asked that Conning perform a review of the ACLI's alternative equity calibration for discussion during a later Subgroup meeting.

O'Neal concluded the presentation on corporate model feedback, addressing concerns about the lack of active strategies compared to the passively managed bond funds in the Conning model. Yanacheak encouraged other companies with similar concerns to voice them through the Subgroup, ACLI, or the Academy. Pederson urged state insurance regulators to consider what the appropriate corporate model should be moving forward—whether to maintain the current model or simplify it for easier documentation. Connie Tang (Retired) acknowledged that while the GEMS corporate model may be robust, further understanding is necessary to fully evaluate its effectiveness.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/A CMTE/LATF/2024-3-Fall/GOES SG Calls/Oct 2/October 2 Minutes.docx

Draft: 10/28/24

Generator of Economic Scenarios (GOES) (E/A) Subgroup
Virtual Meeting
September 25, 2024

The GOES (E/A) Subgroup of the Life Risk-Based Capital (E) Working Group and the Life Actuarial (A) Task Force met Sept. 25, 2024. The following Subgroup members participated: Mike Yanacheak, Chair (IA); Peter Weber, Vice Chair (OH); Ted Chang (CA); Wanchin Chou (CT); Ben Slutsker (MN); William Leung (MO); Seong-min Eom (NJ); Bill Carmello (NY); Rachel Hemphill (TX); and Craig Chupp (VA).

1. Discussed Upcoming Meetings and its 2026 Project Plan

Yanacheak provided an overview of the Subgroup's planned meeting topics leading up to the Fall National Meeting. He also gave an overview of the project plan for implementation in 2026. Connie Tang (Retired) asked if any deliverables were targeted for completion ahead of the Fall National Meeting. Yanacheak responded that he was more focused on hitting a quality standard rather than a specific deadline for various components of the project but that the Subgroup would work diligently to meet its objectives in a timely fashion.

2. Exposed the GOES Model Governance Framework

Yanacheak highlighted the importance of setting a strong model governance framework that defined clear roles for state insurance regulators, the NAIC, Conning, the insurance industry, and other interested parties. Pat Allison (NAIC) then walked through the draft model governance framework.

Chou asked if the draft document would be exposed. Yanacheak responded that he intended to do a chair exposure of the draft model governance framework. After additional discussion, Yanacheak noted that he would expose the document for a 40-day public comment period ending Nov. 4.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/A CMTE/LATF/2024-3-Fall/GOES SG Calls/09 25/Sept 25 Minutes.docx

Agenda Item 4

Receive an Update on the Generator of Economic Scenarios (GOES) Field Test and Consider Adoption of the Report of the GOES (E/A) Subgroup

Additional Materials Pending

Equity Calibration Comparsion

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Two Alternative Calibrations

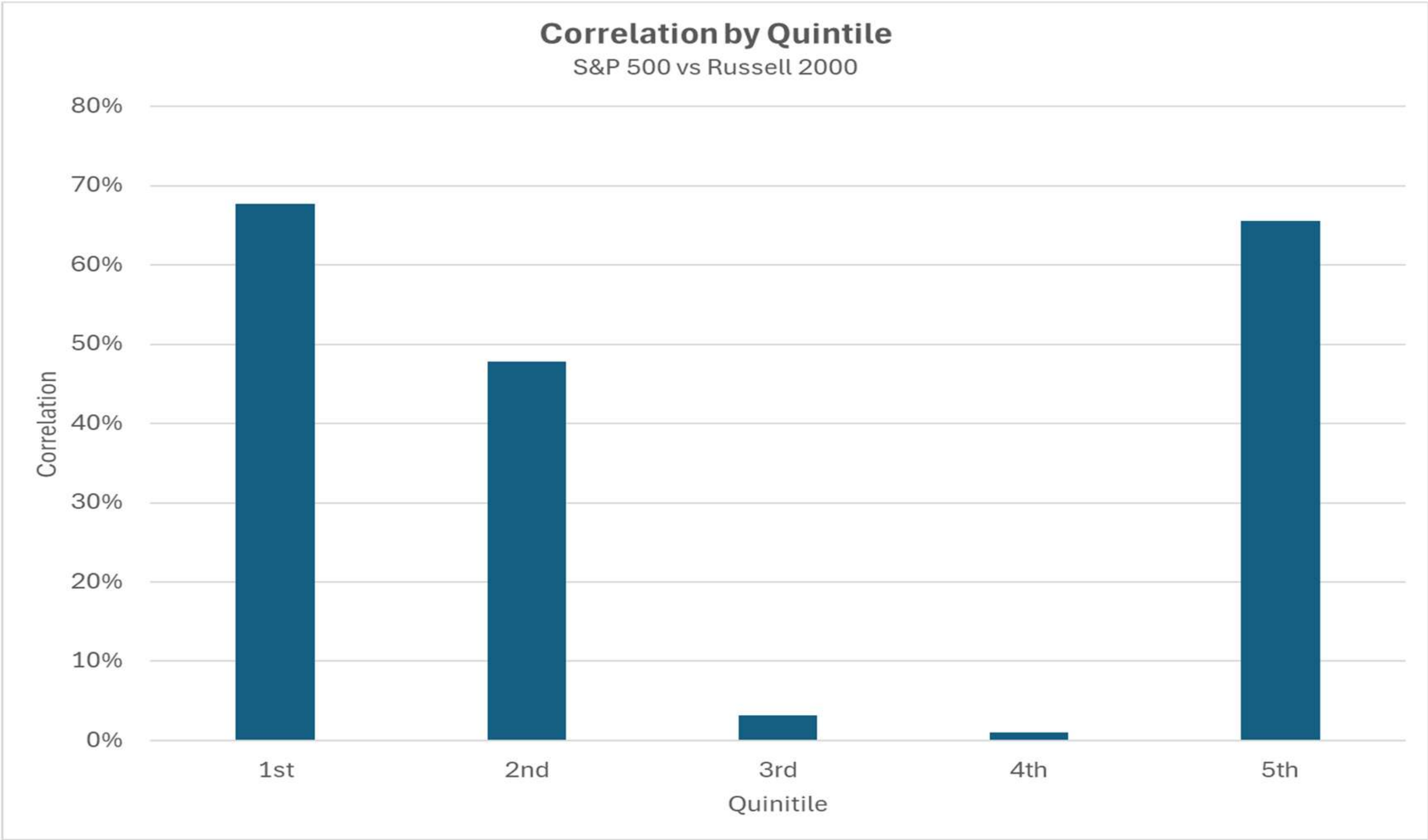
Modified GEMS Calibration

a) Based on standard GEMS calibration approach
b) Adjusted for NAIC's mean and standard deviation targets
c) Basis for Field Test #2 runs

ACLI's Proposed Calibration

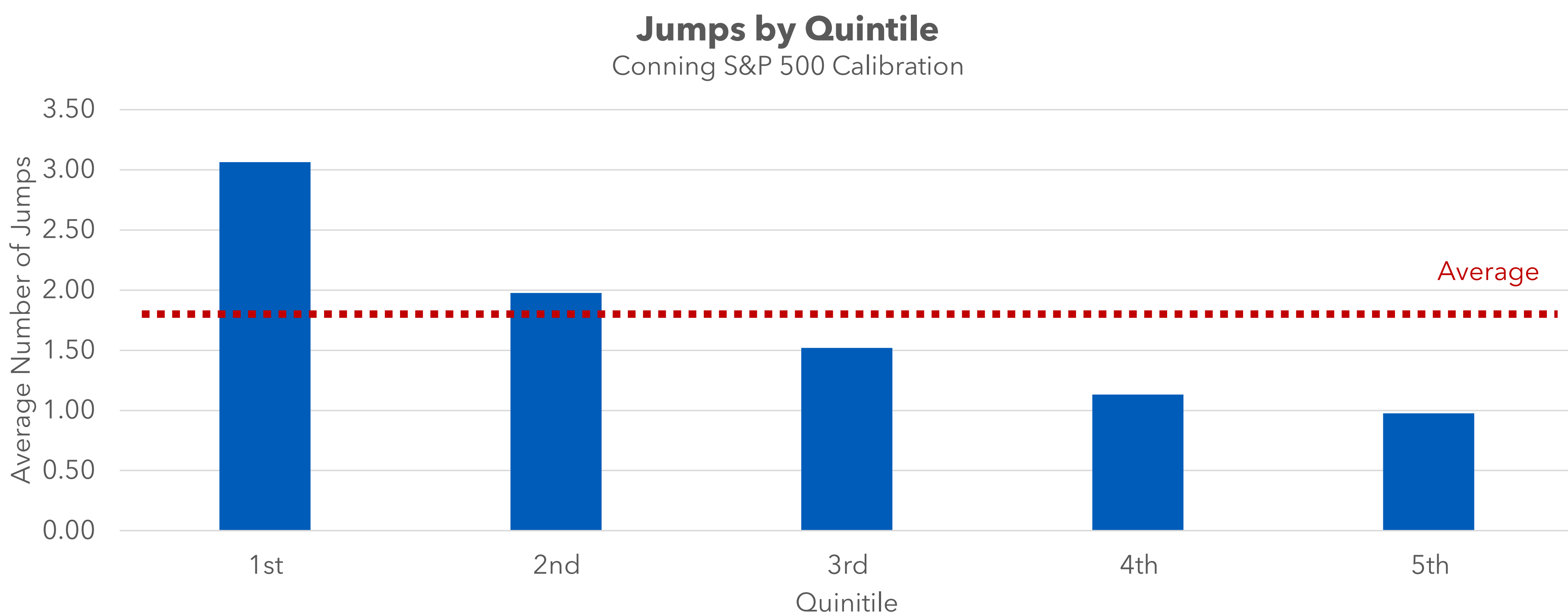
a) Based on Run #6 from Field Test #1
b) Adjusted to address some of Conning's previous concerns

Previous Concern: Tail Correlation



Previous Concern: Tail Correlation

Focus on Impact of Jumps



Previous Concern: Tail Correlation

Way to achieve this in GEMS

a) Correlation between Variances

Calibration	Mid Cap	Small Cap	US Aggressive Equity
Conning	0.8920	0.8530	0.9360
ACLI	0.8172	0.7667	0.7889

Previous Concern: Tail Correlation

Way to achieve this in GEMS

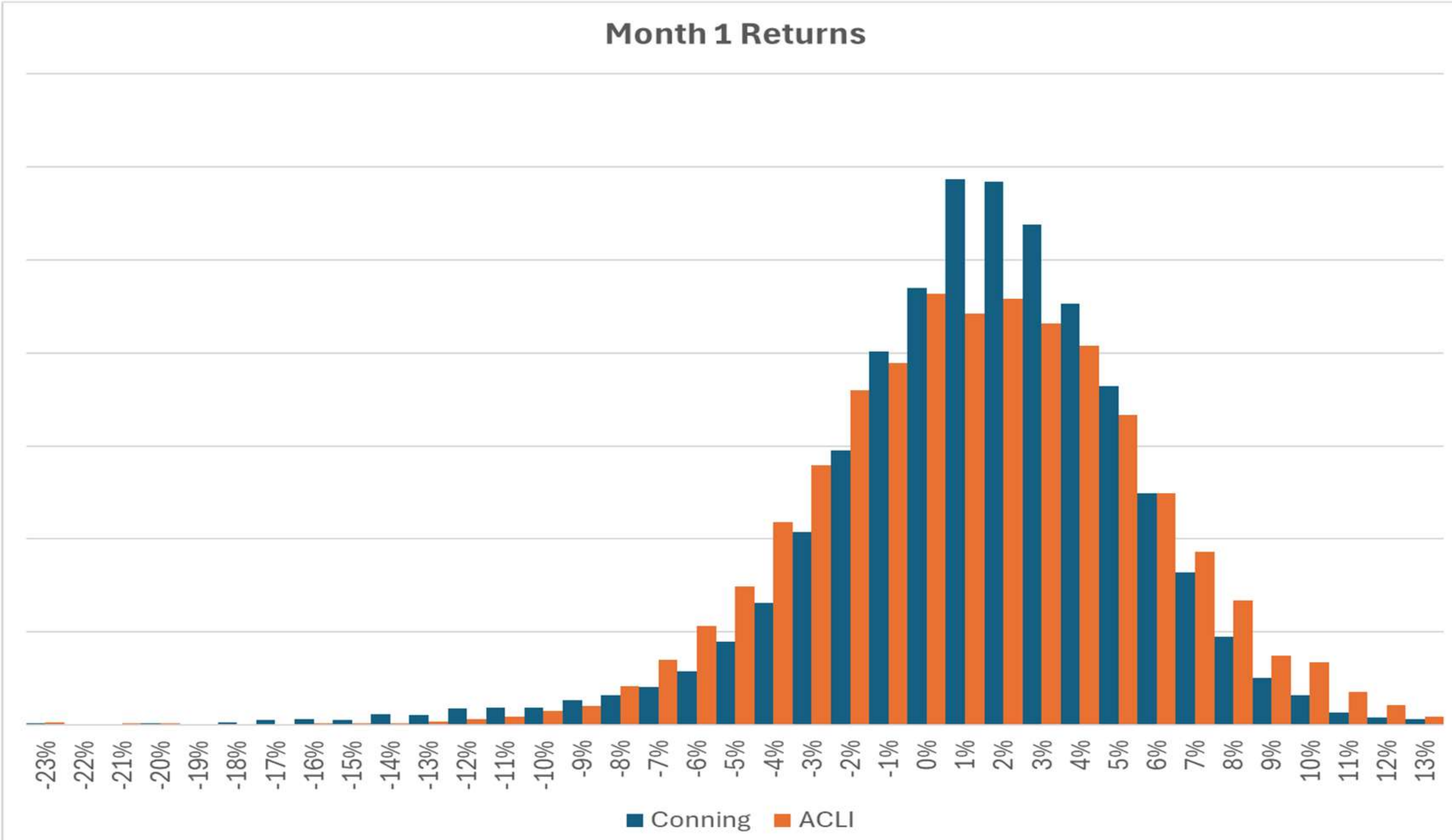
a) Correlation between Variances
b) Correlations between Jump Losses
c) Similar Jump Frequencies
  - Frequency is linked to Variance: Expected Frequency = Jump Intensity * Current Variance
  - Variance reverts to α / β
  - So, want Long-Term Frequency (= Jump Intensity * α / β) to be similar

Calibration	Large Cap	Mid Cap	Small Cap	US Aggressive Equity
Conning	1.7419	1.8656	1.8288	3.3580
ACLI	0.1019	0.1270	0.1273	0.1449

Alternative Calibrations: Large Cap Parameter Comparison

Parameters	Conning	ACLI
Fixed Return	0.0825	0.0723
Risk Premium Coefficient	0.0926	0.5744
Alpha	0.0058	0.0196
Beta	0.4627	0.9519
Sigma	0.0747	0.1254
Jump Intensity	139.5882	4.9442
Jump Mean	-0.0525	-0.1500
Jump Sigma	0.0575	0.0584

Alternative Calibrations: First Month Returns



Alternative Calibrations: First Year Returns

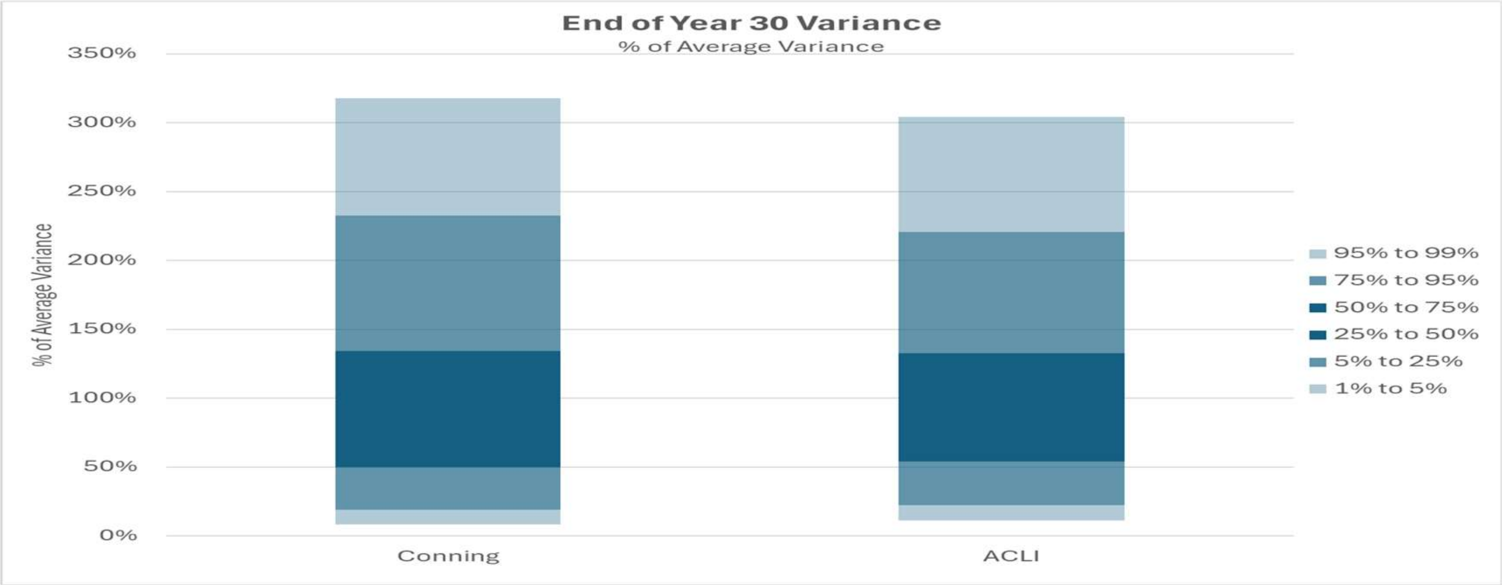
Alternative Calibrations: Changes over Time

Evolution only Impacted by Variance

- Core volatility is completely independent

Impact of Variance

- Is it variable?



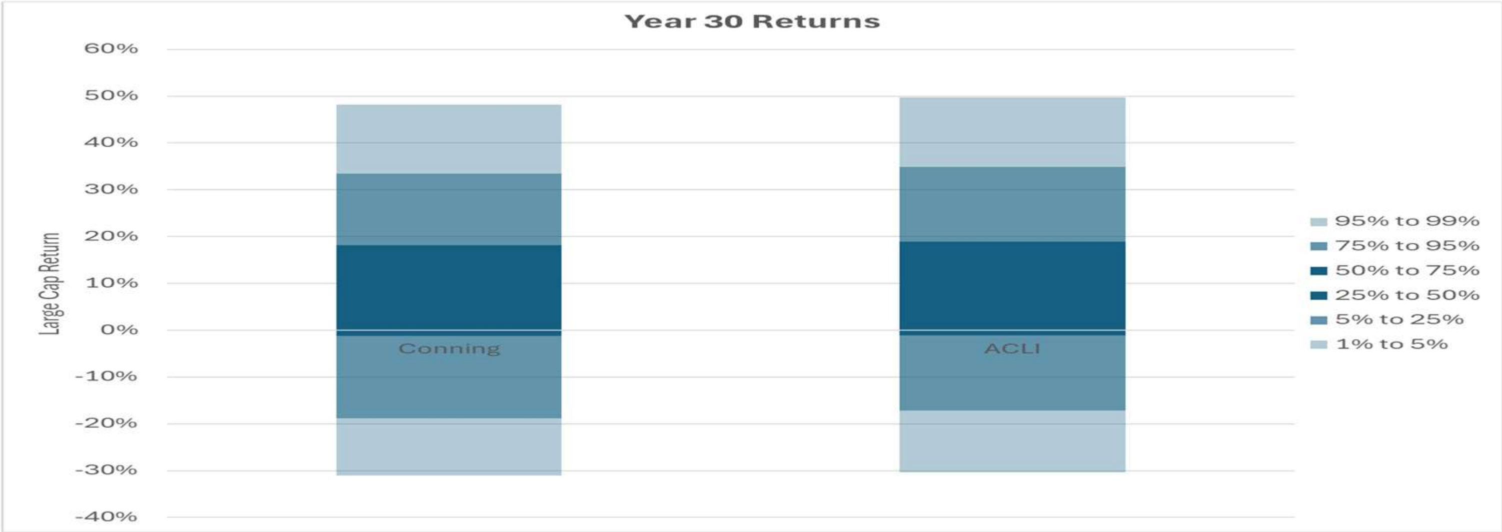
Alternative Calibrations: Changes over Time

Evolution only Impacted by Variance

- Core volatility is completely independent

Impact of Variance

- Is it variable?
- Does that variability impact return?



Alternative Calibrations: Changes over Time

Evolution only Impacted by Variance

- Core volatility is completely independent

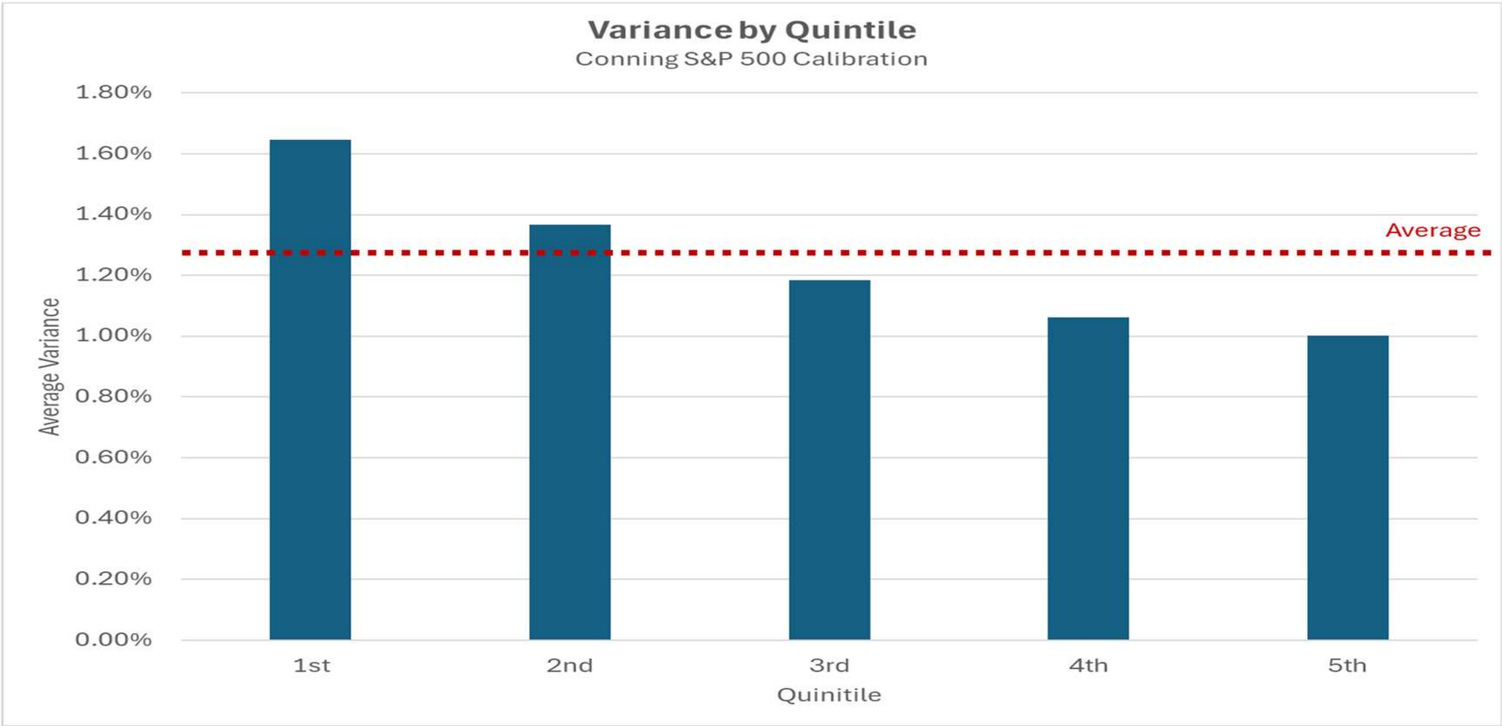
Impact of Variance

- Is it variable?
- Does that variability impact return?
- How does it impact serial correlation?

Alternative Calibrations: Impact on Serial Correlation

Impact is Complicated

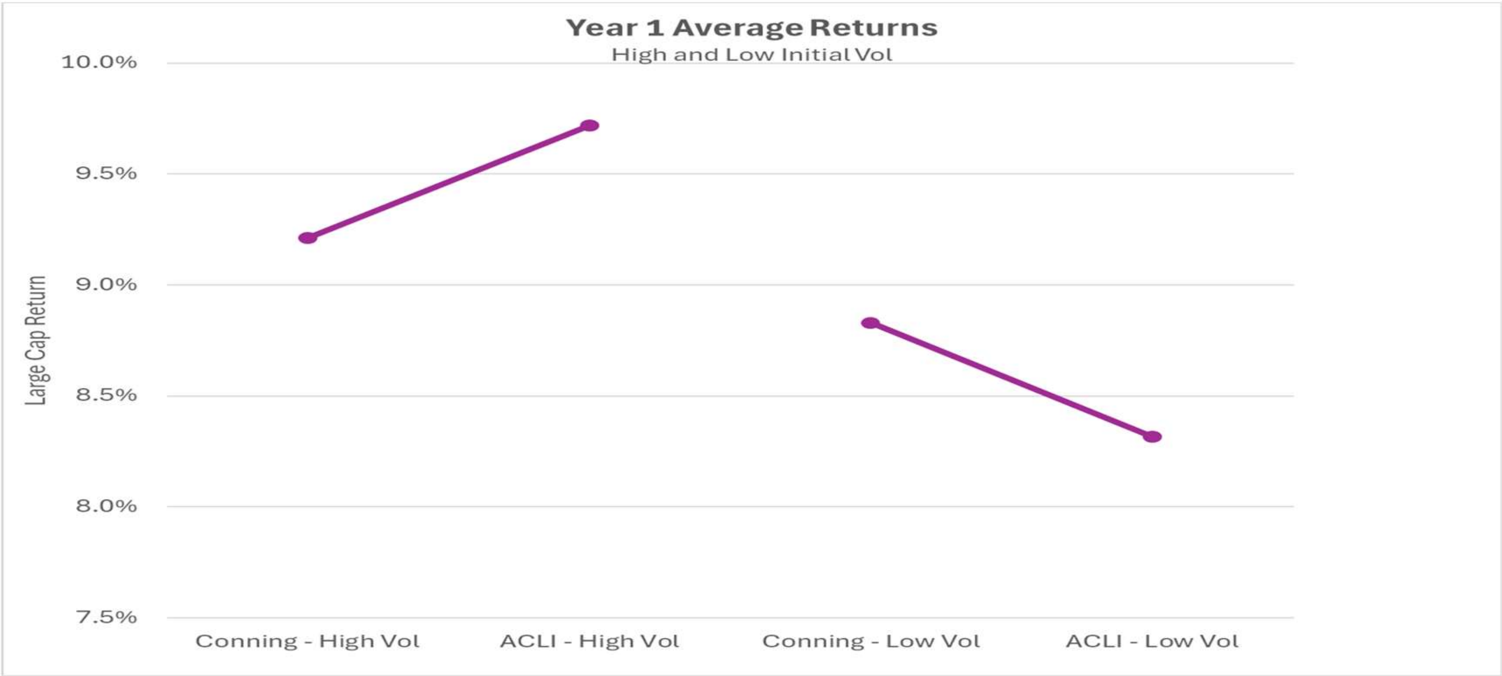
- Like Jumps, Variance increases with bad returns



Alternative Calibrations: Impact on Serial Correlation

Impact is Complicated

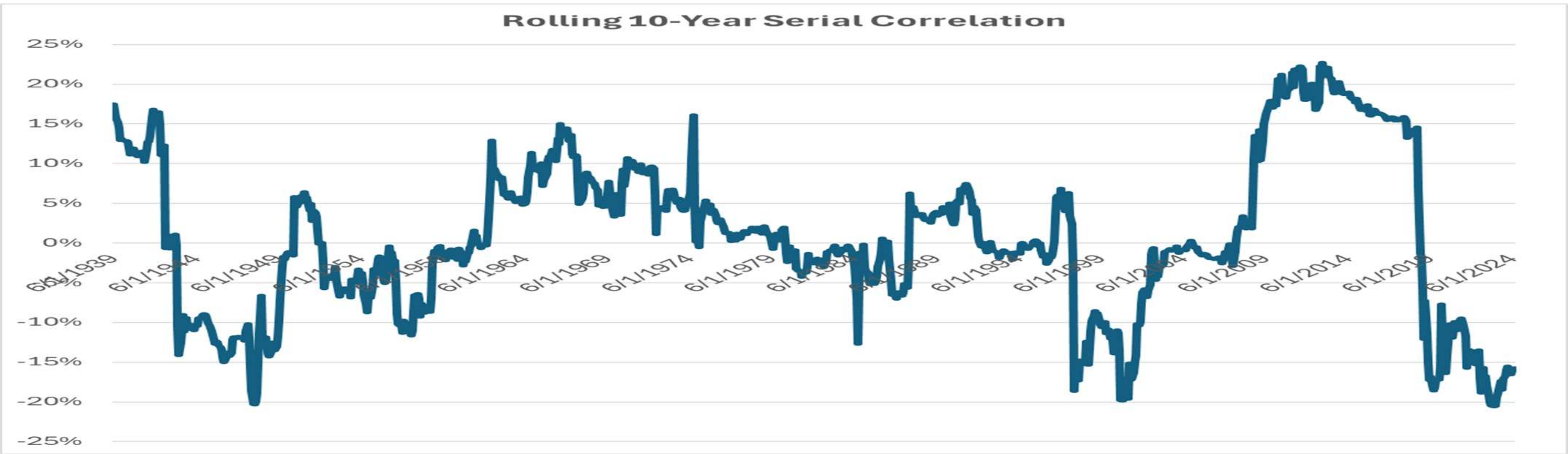
- Like Jumps, Variance increases with bad returns
- Large Risk Premium Coefficient makes Average Return very susceptible to changes in Variance



Alternative Calibrations: Impact on Serial Correlation

Impact is Complicated

- Like Jumps, Variance increases with bad returns
- Large Risk Premium Coefficient makes Average Return very susceptible to changes in Variance
- Changes the sign of Serial Correlation
    - Conning's Year 1 vs Year 2 is +2%
    - ACLI's is -3%



Agenda Item 5

Hear an Update on Historical Mortality Improvement (HMI) and Future Mortality Improvement (FMI) Factors

SOA Research INSTITUTE

Update on Life Insured Mortality Improvement Recommendation

Mortality Improvement Life Working Group
of the SOA Mortality and Longevity Oversight Advisory Council

NOVEMBER| 2024

Presentation Disclaimer

The material and information contained in this presentation is for general information only. It does not replace independent professional judgment and should not be used as the basis for making any business, legal or other decisions. The Society of Actuaries assumes no responsibility for the content, accuracy or completeness of the information presented.

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Agenda

- Discuss Life Mortality Improvement (MI) Initial Recommendation for Fully Underwritten Business
- MI recommendation for Limited Underwriting Business
  - Considering applicability of planned new VM 51 underwriting data elements for limited underwriting study (underway)

MI Recommendation – Fully Underwritten Business

Where we started .....

- Difficult to measure true life insured MI due to "noise" in the industry experience data for insured lives
  - Changes in underwriting definitions, changes in risk class structure, changes in market/distribution focus over time
- Reviewed SOA general population socioeconomic decile work
  - Is there a decile that that can be used as a proxy for the life insurance population?
- Predictive modeling approach considered

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MI Recommendation – Fully Underwritten Business

Overview of Work (2024)

- Predictive modeling work
    - To identify and quantify the primary factors impacting mortality improvement results in the insured population data
- MI analysis tool developed

Excel-based tool that allows for normalization of data for factors identified in predictive modeling work

- Allows for better understanding of true biometric mortality improvement levels
- Allows for comparison to general population deciles

MI Recommendation – Fully Underwritten Business

Predictive Modeling

- Goal: Determine the primary factors impacting insured mortality improvement
- Data: 2011-2017 fully insured mortality data provided by SOA
- Separate models developed by product
    1. Term business – excluding post level term
    2. Post level term business only
    3. Permanent products
- Results: confirmed subgroup's hypothesis that the primary industry-related factors impacting MI for insured population include:
    - Face amount distribution
    - Risk class
    - Plan of insurance
    - Issue year era
    - Duration

The same primary factors were identified across products, but there are differences by product in order of factor importance.

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MI Recommendation – Fully Underwritten Business
MI Analysis Tool

- Data Sources
  - General population data from socioeconomic decile study
  - Insured data from SOA based on the NAIC/NYDFS data calls (2009-2019 period)
    - Includes all fully underwritten business issued standard (no substandard)
- Methodology
  - Insured mortality experience is normalized across years for factors having greatest effect
  - Currently can only normalize for one factor at a time
  - Informed by predictive modeling work
- Results
  - Normalized insured data was compared to population data
  - Normalized insured data appears reasonably consistent with population trends

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Preliminary Life MI Recommendation

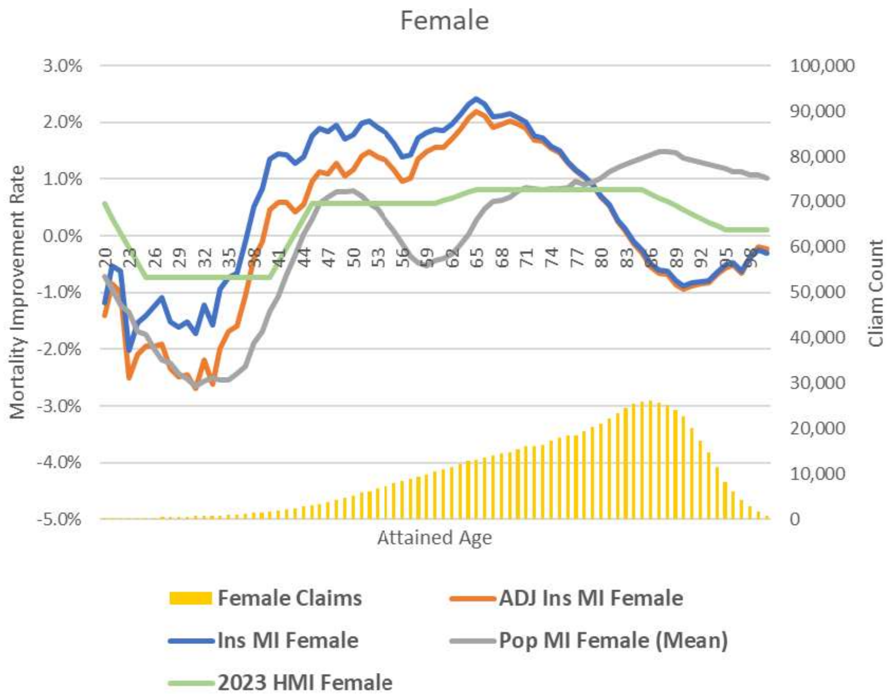
	Options Considered	Initial Recommendation
Basis for Measuring Improvement	1. Fully underwritten insured mortality experience (after normalization) 2. General population decile chosen to represent insured 3. Combination of both	Combination of both – normalized insured data to measure MI for primary insured ages (25-80), different approach for oldest and youngest ages
Subset of Insured Historical Data for Measuring MI	1. Experience Period Subset (full period available 2009-2019) 2. Unismoke, smoker distinct, or all data 3. Post level term 4. Conversion business 5. Survivorship business	1. 2011-2019 2. Smoker distinct only 3. Excluded post level term 4. Conversion included (no means to exclude) 5. Survivorship excluded
Methodology	1. MI calculation basis (face amt/policy count) 2. Factors for variations in scale (gender, attained age, smoker status, risk class, select vs ultimate) 3. Smoothing approach 4. COVID adjustments if needed 5. Impact of opioid and mental health crises 6. Risk margin approach	1. Policy count 2. Gender and attained age only 3. TBD 4. COVID adjustments TBD 5. Included in both insured and general population data 6. Risk margin considerations TBD

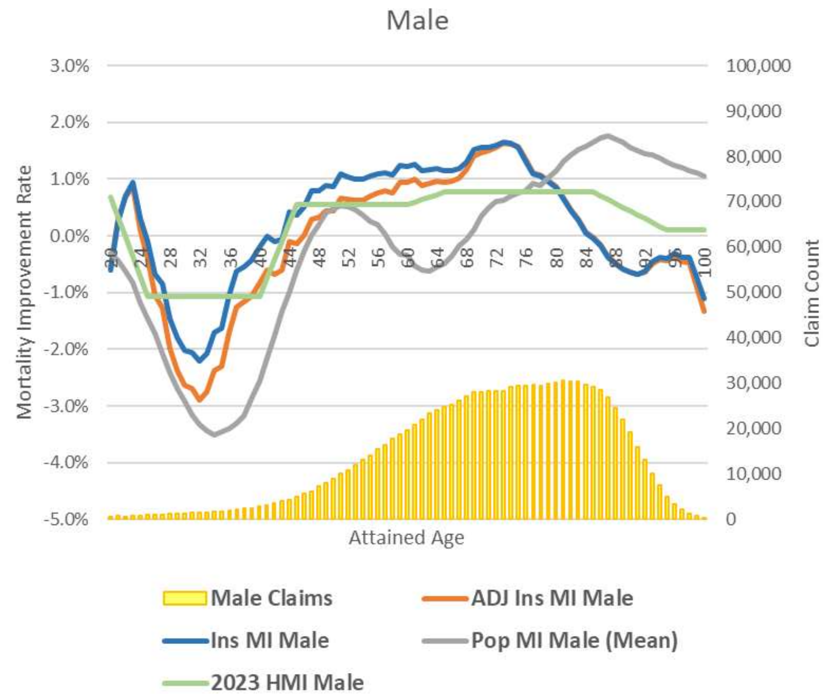
MI Recommendation – Fully Underwritten Business Mortality Improvement Rates

Policy Count Basis – 2011-2019

Normalized for Face Amount, Ages 20 and older

Term and Permanent Combined





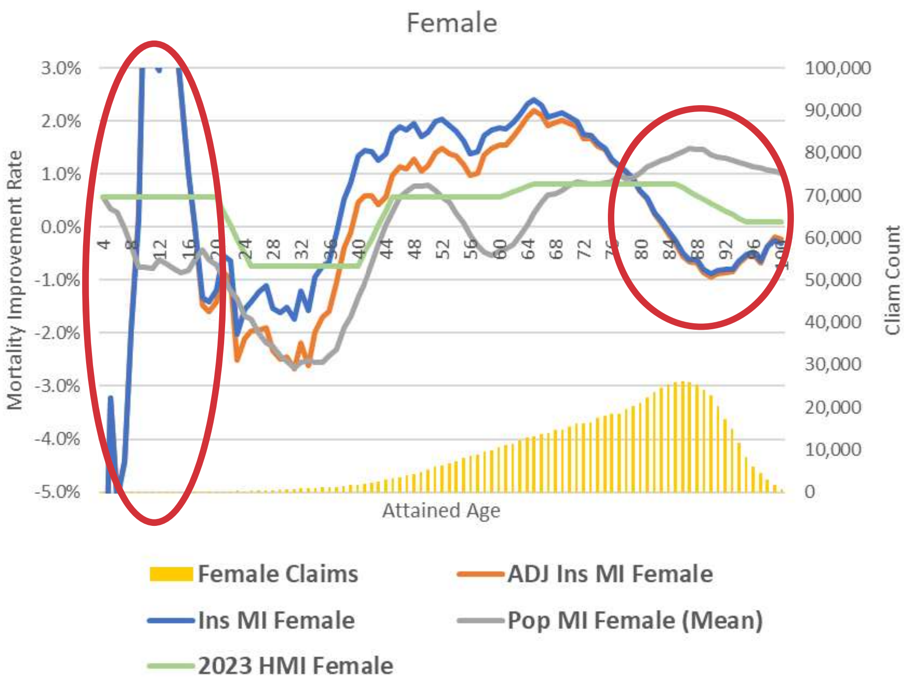
MI Recommendation – Fully Underwritten Business Mortality Improvement Rates

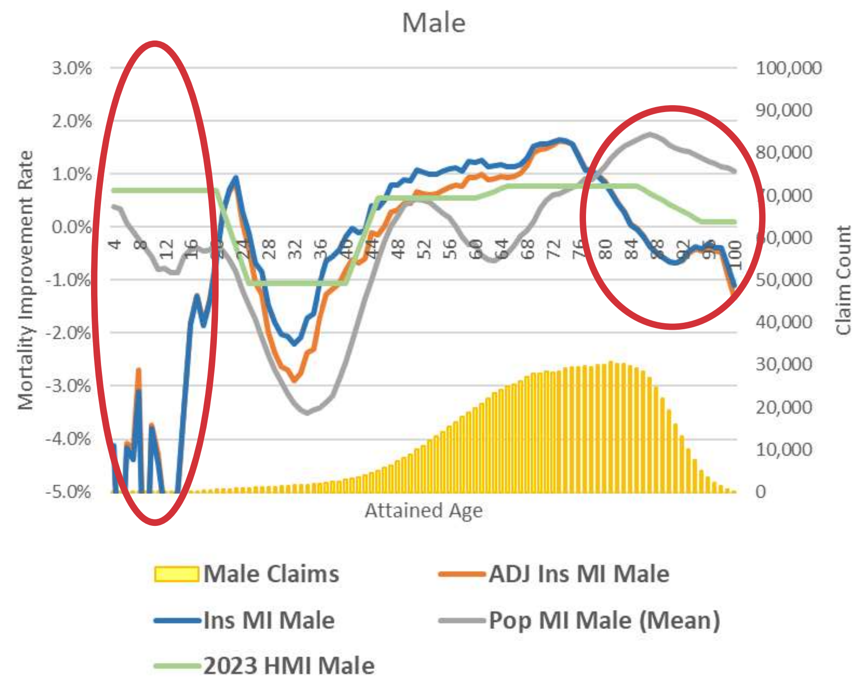
Policy Count Basis – 2011-2019

Normalized for Face Amount, All Ages

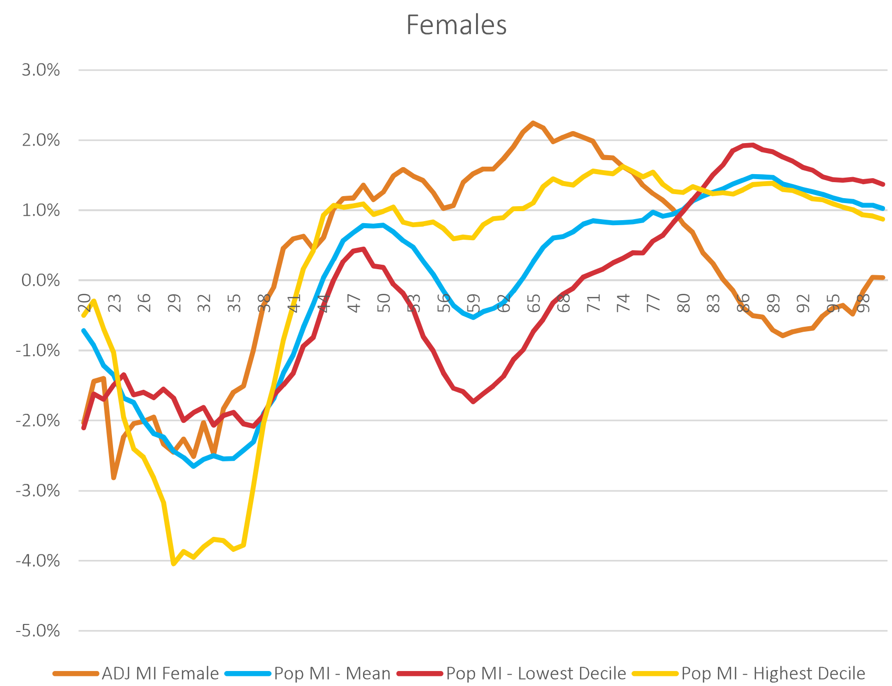
Term and Permanent Combined

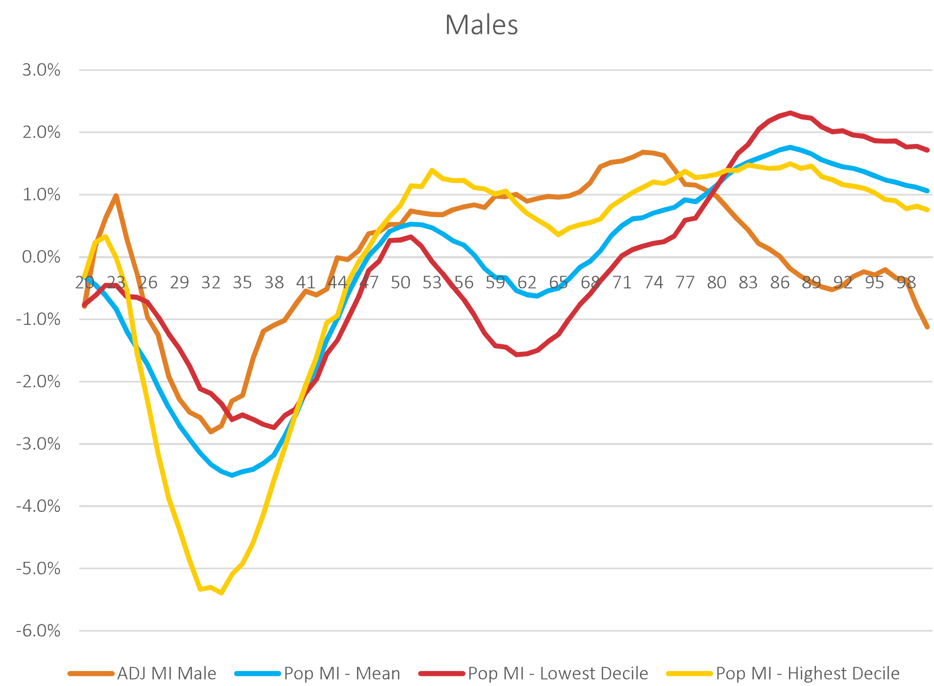
Need combination of insured and general population data at youngest and oldest ages.





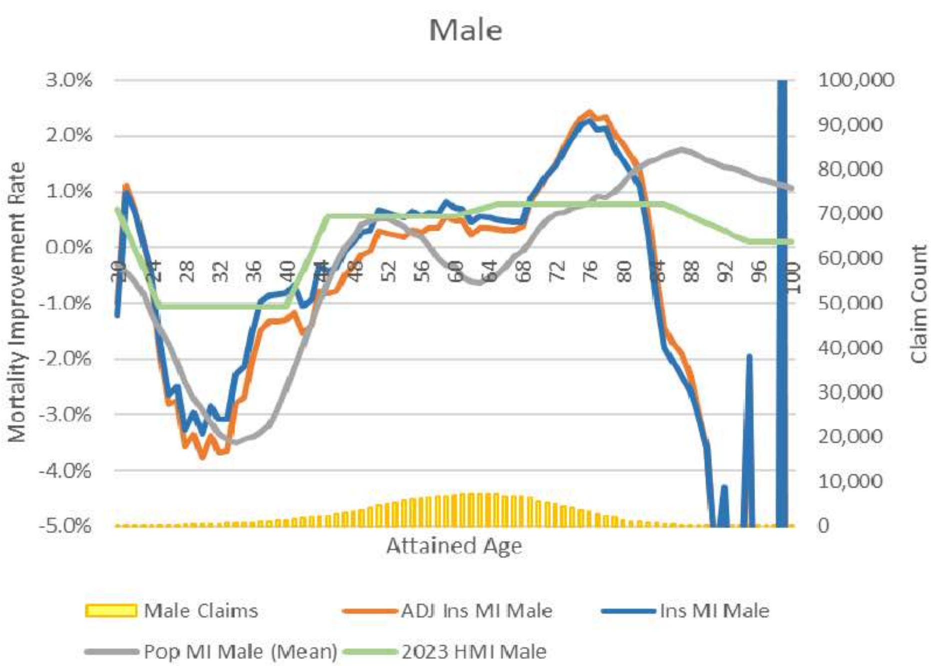
MI Recommendation – Fully Underwritten Business Mortality Improvement Rates
Policy Count Basis – 2011-2019
Normalized for Face Amount, Ages 20 and older
Term and Permanent Combined



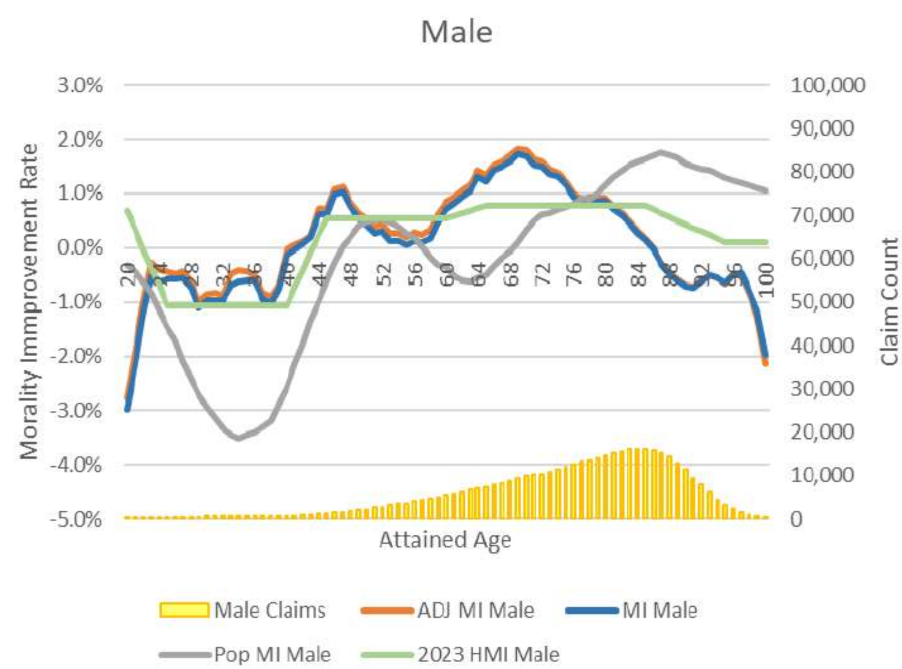


MI Recommendation – Fully Underwritten Business Mortality Improvement Rates
Policy Count Basis
Normalized for Face Amount, Ages 20 and older
Term vs Perm - Male

Term



Permanent



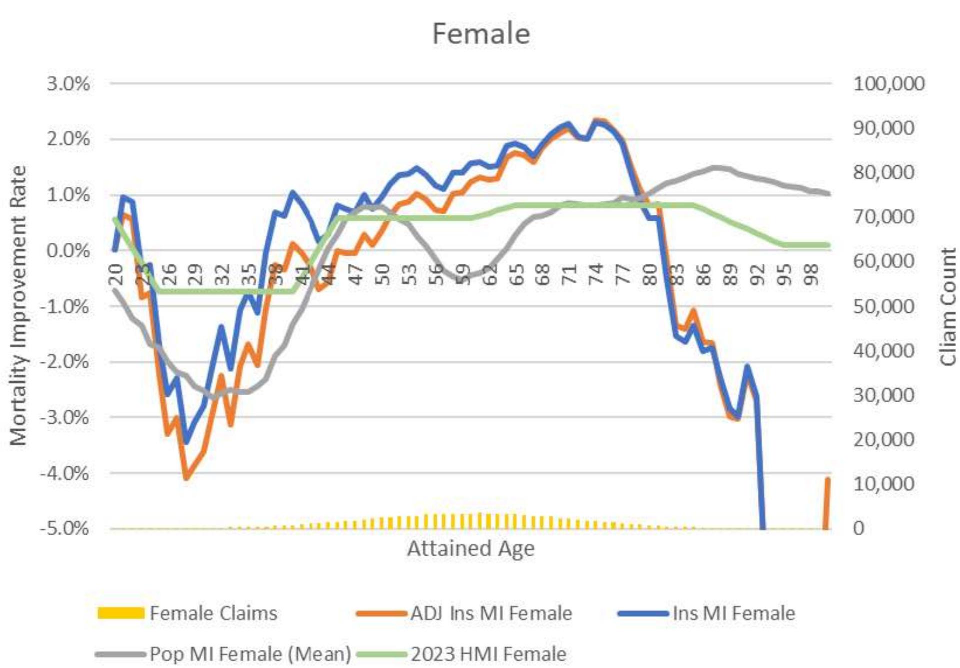
MI Recommendation – Fully Underwritten Business Mortality Improvement Rates

Policy Count Basis

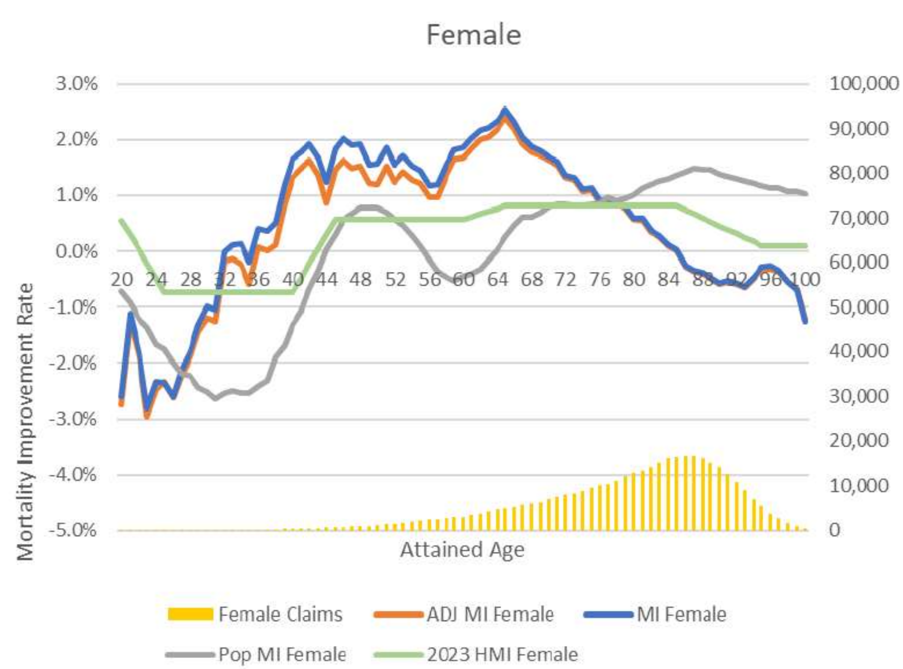
Normalized for Face Amount, Ages 20 and older

Term vs Perm - Female

Term



Permanent



MI Recommendation - Fully Underwritten Business
Next Steps

- Consider practical issues involved with using insured mortality data directly (lags in data, regular updates will be needed)
  - Ex. use of population data by age between updates of actual data
- Additional considerations to be addressed – COVID, margins, other
- Work with NAIC staff on impact testing using model office

SOA Research INSTITUTE

Contact Information

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Agenda Item 6

Consider Re-Exposure of Amendment

Proposal Form (APF) 2024-13

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.

Identification:
Rachel Hemphill, Texas Department of Insurance

Title of the Issue:
Clarify reflection 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, 2025 NAIC Valuation Manual

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

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, any portion of the total company IMR balance that is not admitted under statutory accounting procedures 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. Any negative IMR that is admitted must be fully allocated by line of business and cannot be allocated to surplus. In the case of negative PIMR, since a negative amount is being added when determining the starting asset amount, the amount of starting assets is reduced by the absolute value of the allocated amount of negative PIMR and the absolute value of the allocated amount of negative PIMR is then added in, under Section 4 and Section 5, as the final step in calculating the modeled reserves.
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. However, the full amount of any negative IMR balance that is admitted must be used in the asset adequacy analysis. In the case of negative IMR, the allocated assets are reduced by the absolute value of the negative IMR. 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.

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

This APF further clarifies the changes made by APF 2023-08, based on errors in reporting seen for year-end 2023. The admittance of a portion of negative IMR was based on asset adequacy analysis acting as an effective guardrail. 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.

Dates: Received	Reviewed by Staff	Distributed	Considered
08/15/2024	KK		
Notes: APF 2024 - 13. LATF exposed 8/29/2024 for 21 days. Craig Chupp (VA) 10/23/24 email commented to use PIMR instead of IMR since the PIMR, rather than IMR, is subtracted from starting assets, we should be using PIMR rather than IMR where we talk about adding/subtracting from starting assets			

Agenda Item 7

Consider Exposure of APF 2024-14

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:
Add reporting on waiver of surrender charges.

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.F.3.f, January 1, 2025 NAIC Valuation Manual

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

f. Lapses and Full Surrenders – Description and listing of lapse or full surrender rates, including:

i. For contracts with VAGLBs, two comparisons of actual to expected lapses where "expected" equals (1) anticipated experience assumptions used in the development of the SR; and (2) the assumptions used in the development of the additional standard projection amount, and the "actual" is separated by logical blocks of business, duration (e.g., during and after surrender charge period), ITM (consistent with dynamic assumptions), and age (to the extent that age affects the election of benefits lapse). These data shall be separated by experience incurred in the past year, the past three years, and all years.

ii. If experience for contracts without VAGLBs is used in setting lapse assumptions for contracts with in-the-money or at-the-money VAGLBs, then a detailed explanation of the appropriateness of the assumption and a demonstration of the relevance of the experience to the business.

~~ii.~~iii. A listing of all conditions under which surrender charges may be waived (e.g., financial hardship, home displacement, etc.), historical data showing how frequently surrender charges are waived, and a description of how such features are reflected in the valuation.

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

During a Compact Product Standards Committee meeting, it was noted that there have been requests from industry to expand the list of criteria for waiver of surrender charges on annuities (financial hardship, home displacement, etc.). Reporting is being added to assess the materiality of these waivers and any potential valuation implications.

Dates: Received	Reviewed by Staff	Distributed	Considered
08/15/2024	KK		
Notes: APF 2024 - 14. LATF exposed 8/29/24 for 21 days with cover letter asking for comments on whether it would be preferable to specify a specific number of years that are required for historical data reporting, in addition to any other comments on the exposure.			

Agenda Item 8

Consider Exposure of APF 2024-15

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:
   Pete Weber, Ohio Department of Insurance
   Rachel Hemphill, Texas Department of Insurance

   Title of the Issue:
   Make correction to VM-21 SPA mortality application, where there is little or no company experience.

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 11.B.3 (Mortality)

   January 1, 2025 NAIC Valuation Manual

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

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 greater than the appropriate percentage (Fx) from Table 11.1 of the 2012 IAM Basic Mortality Table with Projection Scale G2 for contracts with VAGLBs and 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 VAGLBs,~~ without VAGLBs and with roll-up GDBs and all other. 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.

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

   This is to correct an error introduced in APF 2024-07 that unintentionally changed the industry mortality table from a ceiling to a floor for VAGLBs. The intention was only to adopt new mortality factors, not to change how they were used. For reference, here is the previous language, before APF 2024-07:

   > 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 1 of the 2012 IAM Basic Table with Projection Scale G2 for contracts with no VAGLBs and 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.

Dates: Received	Reviewed by Staff	Distributed	Considered
10/30/24	KK		
Notes: APF 2024 - 15			

Agenda Item 9

Discuss the Universal Life

Nonforfeiture Product Filing Issue

No Materials

Agenda Item 10

Hear an Update on the

SOA's Education Redesign

No Materials

Agenda Item 11

Provide Update on Actuarial Guideline LIII—Application of the Valuation Manual for Testing the Adequacy of Life Insurer Reserves (AG 53) Reports

Materials Pending

Agenda Item 12

Discuss Comments Received on the Asset Adequacy Testing (AAT) for Reinsurance Actuarial Guideline Draft

Additional Materials Pending

Fred Andersen, Minnesota

AG ReAAT – Draft 11/15/24

Background

The NAIC Valuation Manual (VM-30) contains actuarial opinion and supporting actuarial memorandum requirements, including requirements for asset adequacy analysis.

State insurance regulators have identified the need to better understand the amount of reserves and type of assets supporting long duration insurance business that relies substantially on asset returns. In particular, there is risk that domestic life insurers may enter into reinsurance transactions that materially lower the amount of reserves and thereby facilitate releases of reserves that prejudice the interests of their policyholders. The purpose of this referral is to propose enhancements to reserve adequacy requirements for life insurance companies by requiring that asset adequacy testing (AAA) use a cash flow testing methodology that evaluates ceded reinsurance as an integral component of asset-intensive business.

This Guideline establishes additional safeguards within the domestic cedent to ensure that the assets supporting reserves continue to be adequate based on moderately adverse conditions.

Text

1. Effective date

   This Guideline shall be effective for asset adequacy analysis of the reserves reported in the December 31, 2025, Annual Statement and for the asset adequacy analysis of the reserves reported in all subsequent Annual Statements.

   Guidance Note: It is anticipated that the requirements contained in this Guideline will be incorporated into VM-30 at a future date, effective for a future valuation year. Requirements in the Guideline will cease to apply to annual statutory financial statements when the corresponding or replacement VM-30 requirements become effective.

2. Scope

   This Guideline shall apply to all life insurers with:

   A. Asset Intensive Reinsurance Transactions ceded to entities that are not required to submit a VM-30 memorandum to US state regulators *{consider alternative reports or language}* in treaties established 1/1/2016 or later (perhaps 1/1/2020 or later for nonaffiliated treaties) that meet any of the criteria determined <u>by counterparty</u> in subsections (1) through (4) below:

      (1) In excess of $5 billion of reserve credit or funds withheld or modified coinsurance reserve

      (2) Combined reserve credit, funds withheld, and modified coinsurance reserve in excess of:

(a) $1 billion and

(b) 2% of ceding company gross Exhibit 5 gross life insurance plus gross annuity reserves

(3) Combined reserve credit, funds withheld, and modified coinsurance reserve in excess of:

(a) $100 million and

(b) 10% of ceding company gross Exhibit 5 gross life insurance plus gross annuity reserves

(4) Combined reserve credit, funds withheld, and modified coinsurance reserve in excess of:

(a) $10 million and

(b) 20% of ceding company gross Exhibit 5 gross life insurance plus gross annuity reserves

B. Asset Intensive Reinsurance Transactions ceded to entities, regardless of treaty establishment date, that results in significant reinsurance collectability risk.

(1) For year-end 2025, significant reinsurance collectability risk is determined according to the judgment of the ceding company's Appointed Actuary

(2) For year-end 2026, [placeholder for more objective guidance?]

3. Definitions

A. Affiliate – Only for purposes of this Guideline means an entity that otherwise meets the NAIC Model Act 440 definition of an Affiliate or has 1 percent or higher ownership of the assuming reinsurer.

B. Asset Intensive Reinsurance Transactions - Coinsurance arrangements involving life insurance products that transfer significant, inherent investment risk including credit quality, reinvestment, or disintermediation risk as determined by Appendix A-791 of the Life and Health Reinsurance Agreements Model Regulation.

~~B~~C. Attribution Analysis – A step-by-step estimate of the proportion of reserve decrease from the pre-reinsurance U.S statutory reserve to Total Reserve attributable to factors such as differences in individual key assumptions.

~~C~~D. Deficient Block – When a block of business shows negative present value of ending surplus in cash-flow testing scenarios using reasonable assumptions under moderately adverse conditions such that additional reserves would be needed in the absence of aggregation.

~~D~~E. Pre-reinsurance Reserve – The U.S. statutory reserve that would be held by the ceding company for the business reinsured in the absence of the reinsurance transaction.

~~E~~F. Primary Security – [As defined in Section 4.D. of Actuarial Guideline 48] *{or replace with another term to describe a stable asset supporting reserves}*

~~F~~G. Reserve Decrease – If the Total Reserve is lower than the Pre-reinsurance Reserve, the difference between the two.

H. Similar Memorandum – An actuarial report that is not a VM-30 submission to a state that contains at least the following elements:

(1) Asset descriptions

(2) Assumption documentation

(a) "Such that an actuary reviewing the actuarial memorandum could form a conclusion as to the reasonableness of the assumptions" (from VM-30)

(b) "And (form a conclusion) on whether the assumptions contribute to the conclusion that reserves make provision for 'moderate adverse conditions'" (from VM-30)

(c) Indication that key assumptions are reasonably set.

(3) Methodology

(4) Rationale for degree of rigor in analyzing different blocks of business.

(5) Include in the rationale the level of "materiality" that was used in determining how rigorously to analyze different blocks of business.

(6) Criteria for determining asset adequacy

(a) Indication of whether New York 7 risk-free rate scenarios are being modeled, presented and passed

(7) Changes from the prior year's analysis

(8) Summary of results

(9) Conclusions

(10) Relevant aspects of Actuarial Guideline 53 documentation and analysis.

(a) Indication of whether high-yield assets are being modeled with a reasonable reflection of their risk

(11) Indication of the scope, e.g., assuming company wide, counterparty (ceding company) specific, treaty specific.

(12) The actuarial report shall be prepared by a qualified actuary and be subject to relevant Actuarial Standards of Practice.

~~F~~I. Sufficient Block – When a block of business shows positive present value of ending surplus in cash-flow testing scenarios using reasonable assumptions under moderately adverse conditions.

~~G~~J. Total Reserve – The reserve held by the ceding company plus the reserve held by the assuming company minus the amount of reserves held by the assuming company supported with assets other than Primary Security.

Other definitions?

4. Risk Identification for Purposes of Establishing Analysis and Documentation Expectations

   A. General guidance - The higher the risk, the more rigorous and frequent the analysis and documentation that should be performed by the ceding company's Appointed Actuary.

   B. Relevant risks – For the purpose of determining the amount of rigor and frequency of analysis and documentation, relevant risks include one or more of the following:

      (1) A VM-30 actuarial memorandum not being provided by the assuming company to a U.S. regulator.

      (2) A significant Reserve Decrease in relation to the Pre-reinsurance Reserve.

      (3) A significant use of non-Primary Security to support reserves.

      {Is there another metric besides "Primary Security" that can provide comfort that appropriately stable assets are supporting reserves?}

      (4) Significant collectability risk associated with the reinsurer, for reasons including:

         (a) Rating of counterparty

         (b) Capital position and trend of capital position

         (c) Regulatory actions against counterparty

         (d) Liquidity ratios

         (e) Late payments on the agreement

         (f) Decline in quality of invested assets

      (5) Any potential risks associated with affiliated transactions should be discussed and considered.

   C. Risk mitigation - Any potential risks or risk mitigants associated with protections such as trusts or funds withheld, particularly with respect to non-affiliated transactions, may be discussed and considered.

   {A process would need to be developed involving approval of less-rigorous analysis for treaties that would otherwise be in the scope, including establishment of criteria and consideration from the domestic state with assistance from VAWG}

   D. Risk identification for this purpose may involve reinsurance transactions within or outside the U.S.

5. Analysis and Documentation Expectations in Light of Risks

A. Generally, cash flow testing the Total Reserve is most appropriate when there is higher risk, and less rigorous analysis may be appropriate if there is lower risk.

{In what types of cases should CFT be mandatory? Should safeguards such as trusts and funds withheld be considered as a reason not to perform CFT even for the largest, most impactful treaties?}

B. Examples of less rigorous analysis include:

(1) Gross premium valuation or other asset adequacy analysis techniques described in Actuarial Standard of Practice #22

{Is there an example of a type of case where GPV would be expected instead of CFT or attribution analysis if the focus of the AG is on asset-intensive business?}

(2) Attribution analysis

{Are the instances of "moderate risk" where attribution analysis could be the only form of analysis performed?}

C. Some aggregation may be allowed between treaties for a single counterparty subject to the considerations in Section 7.

D. The domestic commissioner continues to have the option to require cash flow testing for individual treaties or counterparties, as they may deem necessary to understand and evaluate risk.

E. Where information on cash flows or any aspect of the analysis is not available, the appointed actuary may use simplifications, approximations, and modeling efficiency techniques if the appointed actuary can demonstrate that the use of such techniques does not make the analysis results more favorable.

F. A Similar Memorandum submitted to the cedant's domestic regulator may be an appropriate alternative to cash-flow testing following VM-30 standards in some instances, if based on the Similar Memorandum the cedant's domestic regulator finds that they are able to determine whether the assets are adequate to support the liabilities, with the assistance of the Valuation Analysis (E) Working Group.

6. Attribution Analysis

A. To perform an Attribution Analysis, for each relevant treaty, start with the Pre-reinsurance Reserve and document adjustments from that reserve to get to the Total Reserve.

(1) Adjustments may include the following:

(a) Differences in key assumptions

(i) Policyholder behavior assumptions

(ii) Mortality or longevity assumptions

(iii) Investment return assumptions versus US statutory discount rates

{Is it important to analyze investment risks if the company is not reliant on aggressive asset return assumptions?}

(iv) Other key assumptions, e.g., taxes

(b) Other reserve adjustments due to:

(i) Removal of cash surrender value floor

(ii) Market value / book value difference due to change in interest rates

(iii) Moderately adverse to less adverse (or best estimate) conversion

(iv) Other, including other changes to fair value or future cash flows

(2) Please comment on the order of the Attribution Analysis adjustments, where a different order could significantly change the impact of an adjustment.

{Would attribution analysis be the sole analysis required for AG ReAAT purposes in certain moderate-risk cases, or would it only supplement other analysis?

B. Use the template or provide similar information in a user-friendly format explaining reasons for any reserve decrease.

C. It may be helpful to perform attribution analysis first between the Pre-reinsurance Reserve and another basis utilized by the cedant (e.g., the cedant's economic basis for the portion of the block ceded) and then from that basis to the Total Reserve.

(1) Please ensure comparison of dollar amounts of different reserves reflect the combined reserve held by the ceding and assuming companies.

D. Provide a narrative explanation, if necessary, to accompany the numbers provided in the attribution analysis template or similar format.

7. Aggregation Considerations

A. Aggregation through subsidy of a Deficient Block by a Sufficient Block should only apply within a counterparty.

{Are there cases where aggregation within a counterparty is inappropriate, such as between certain lines of business?}

B. Provide an explanation if additional asset adequacy analysis reserves are not posted related to a Deficient Block, where the reason is aggregation with a Sufficient Block.

C. Where applicable, explain the stability and reliability of a Sufficient Block when it is being used to subsidize a Deficient Block.

8. Documentation

   A. If cash-flow testing is performed, present New York 7 results and key assumptions, along with other results the company selects to disclose.

   B. If Attribution Analysis is performed, present the results in the template or in a user-friendly form providing similar information as in the template.

   C. If performing other analysis, present results as appropriate.

   D. Provide any narrative explanation to accompany the numerical results, including support for decisions to hold or not hold additional asset adequacy analysis reserves.

Agenda Item 13

Hear an Update on SOA

Research and Education

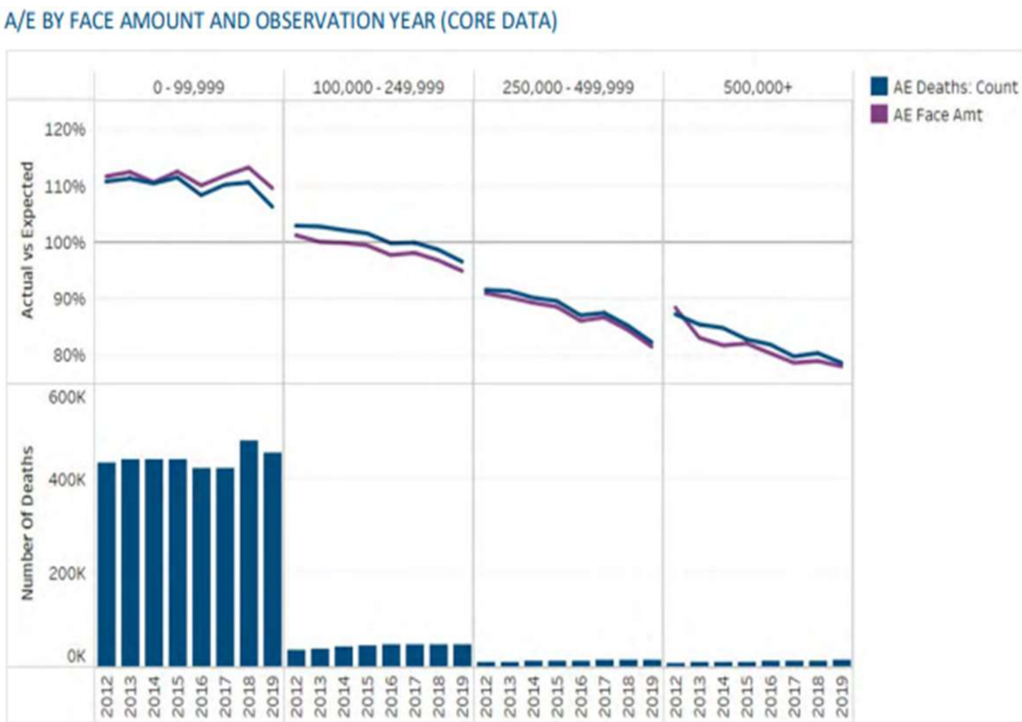
SOA Research INSTITUTE

SOCIETY OF ACTUARIES RESEARCH UPDATE TO LATF

November 16, 2024

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

Individual Life Insurance Mortality Experience Report



- https://www.soa.org/resources/research-reports/2024/ilec-mort-2012-19/
- Actual versus Expected mortality experience for observation period 2012-2019
- Expected mortality 2015 Valuation Basic Table (2015 VBT) using the base Relative Risk table (RR 100)
- Data validation effort in conjunction with NAIC

SOA Research INSTITUTE

2

Experience Studies Update

- Upcoming Study Releases
- Transition to Industry Subscription Model for 2025
- Target Studies for 2025

Additional Life Research

Experience Studies

Project Name	Objective	Link/Expected Completion Date
2024 Life Mortality Improvement	Develop AG38 mortality improvement assumptions for YE 2024	https://www.soa.org/resources/research-reports/2024/ind-live-mort-ag38/
2015-22 Fixed Rate Deferred Surrender Study - Report	Complete a study of fixed rate deferred annuity surrender rates.	https://www.soa.org/resources/experience-studies/2024/15-22-frds/
ILEC Mortality Experience Report Update for 2012 - 2019	Draft a report updating the ILEC mortality experience reporting for 2019	https://www.soa.org/resources/research-reports/2024/ilec-mort-2012-19/
Economic Scenario Generator - 2024 Update	Update the AAA Economic Scenario Generator Annually.	https://www.soa.org/resources/tables-calcs-tools/research-scenario/
2015-21 Universal Life Premium Persistency Study - Report	Analyze the premium persistency for universal life products - Data collection and validation phase	https://www.soa.org/resources/experience-studies/2024/15-21-ulpp-ulls/
Group Life COVID-19 Mortality Survey Update - 2Q24 Report	Complete an update on a mortality study assessing the impact of COVID-19 on Group Life Insurance.	https://www.soa.org/resources/experience-studies/2024/group-life-covid19-mort-survey/
GRET for 2025 - Create Factors	Develop the Generally Recognized Expense Table (GRET) for 2025	https://www.soa.org/resources/research-reports/2024/2025-gret-recommendation/
2000-2022 U.S. Historical Population Mortality Rates	Publish unsmoothed SSA-Style historical mortality rates for 2000-2021	https://www.soa.org/resources/research-reports/2024/us-historical-mortality/
2009-2015 Individual Life Experience Committee Lapse and Mortality Study	Study mortality and lapse experience in the database of 2009-2015 individual life experience data and release a report with the findings.	12/5/2024
2015-2022 Whole Life/Term Lapse and Surrender - Report	Complete a study of Whole Life/Term Lapse and Surrender	12/5/2024
Predictive Analytics Framework	The theme is around the sharing and warehousing of PA tools and information, similar to a data science environment.	10/25/2024
US Population Mortality Observations: Updated with 2022 Experience	Explore observations from the release of the 2022 U.S. population mortality data.	11/21/2024
2021-22 Fixed Indexed Annuity Study - Report	Examine lapse and the utilization of guaranteed living withdrawal benefit options on fixed index annuity policies under a Joint SOA/LIMRA project and release Tableau visualizations with the observations from the study.	11/7/2024
2013-2021 Group Life Experience Study	Complete a study of 2013-2021 group term life mortality experience.	11/21/2024
Term Conversion Incidence and Post-Conversion Mortality and Lapse Experience - Report	Conduct a mortality and lapse experience study on the converted life insurance policies.	12/1/2025

SOA Research INSTITUTE

Practice Research

Project Name	Objective	Link/Expected Completion Date
Mortality and Race	Summarize available literature on mortality and race and discuss actuarial aspects.	https://www.soa.org/resources/research-reports/2024/mortality-and-race-and-ethnicity-us/
Maternal Mortality	Study maternal mortality in US and compare to other countries	https://www.soa.org/resources/research-reports/2024/maternal-mort-lit-review/
Comparison of 2015 VBT to Socioeconomic decile mortality	Examine life insurance VBT vs NCHS mortality by socioeconomic category.	POG is incorporating this into MIM-2021 Tools for 2024 update release.
Using Behavioral Science to Improve Consumers' Comprehension and Appreciation of Life Insurance Products - RGA	Test and improve the life insurance communication using BE	https://www.soa.org/resources/research-reports/2024/behavioral-science-rga/
Redesigning the Life Insurance Underwriting Journey with Behavioral Economics - Scor	Test BE wording for underwriting questions to improve honesty in answers and address under-disclosure of medical conditions	https://www.soa.org/resources/research-reports/2024/redesign-life-ins-underwriting/
Statistical Approaches for Imputing Race and Ethnicity	Outline the various approaches for statistically imputing race and ethnicity in the U.S. along with their strengths and weaknesses to help familiarize actuaries with these techniques.	https://www.soa.org/resources/research-reports/2024/stat-methods-imputing-race-ethnicity/
Review of Offshore Life and Annuity Jurisdictions Reinsurance Landscapes	Examine the offshore reinsurance landscapes	1/15/2025
ALM Practices	Conducts a survey of current ALM practices focused on various life insurance company products with attention paid to issues such as general account vs. separate account product distinctions.	1/15/2025
Fairness Metrics for Life Insurance	Identify and discuss a variety of quantitative metrics that could be used to evaluate fairness of life insurance products under different definitions of fairness.	2/28/2025
Mortality and Morbidity Impact of COVID-19 Beyond the Acute Phase	Study and quantify the excess death and excess morbidity impacts of the COVID-19 pandemic beyond the acute phase	11/21/2024
Expert Opinion on Impact of COVID-19 on Future Mortality - Survey 3	Survey panel of experts on short and mid term thoughts on future population and insured mortality	11/21/2024
U.S. Drug Abuse Epidemic: Past Present and Future	Create a resource that examines the evolution uf the U.S. drug epidemic and outlook of the impact on future mortality.	6/1/2025
Understanding Complex Assets	Examines the use of complex assets in the life and annuity industry compared to traditional public corporate bonds.	4/1/2025

SOA Research INSTITUTE

SOA Research INSTITUTE

Agenda Item 14

Hear an Update from the Academy Council

on Professionalism and Education

No Materials

Agenda Item 15

Hear an Update from the Academy

Life Practice Council

Life Practice Council Update

Life Actuarial (A) Task Force Meeting

November 16, 2024

American Academy of Actuaries

About the Academy

American Academy of Actuaries

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.

For more information, please visit:
www.actuary.org

American Academy of Actuaries

Recent Engagement

Life Risk-Based Capital (E) Working Group

- Correlation in Capital Frameworks
- C-3 RBC Testing

Risk-Based Capital Investment Risk and Evaluation (E) Working Group

- CLO Comparable Attributes Project

American Academy of Actuaries

Recent Life Practice Council Activity

Publications

- Life Underwriting and Risk Classification Subcommittee Comments to SCORI on Underwriting Survey
- Life Underwriting and Risk Classification Subcommittee Comments to Colorado on Proposed ACLI Regulation
- LPC Comments to LATF on Reinsurance Exposure Scope & Aggregation
- LPC Comments to LATF on Reinsurance Exposure

Academy Annual Meeting:

- Plenary Session with Commissioner Mais and NAIC CEO Gary Anderson; breakout life sessions on financial security (annuities and LTC) and solvency regulation (with Commissioner Houdek)

American Academy of Actuaries

Recent and Upcoming Academy Activity

Webinars:

- Ethical Dilemmas Facing Health Actuaries: Insights and Case Studies
- VM-31 As Seen by Regulators (Dec 13)
- Other topics in December include capital markets (retirement focused), the annual professionalism session: Tales from the Dark Side, and surplus considerations for public pension plans

American Academy of Actuaries

Recent and Upcoming Academy Activity

Publications

- Life: Life Perspectives, Summer/Fall 2024
- Health: The State of Long-Term Care
- Casualty: Insurance Fraud: Impacts on Premiums, Claim Costs, and the Public
- Retirement: Collective Defined Contribution Plans, Immigration and Social Security, Public Pension Plans: Evaluating Buyout Programs
- Risk Management: Big Data Terminology

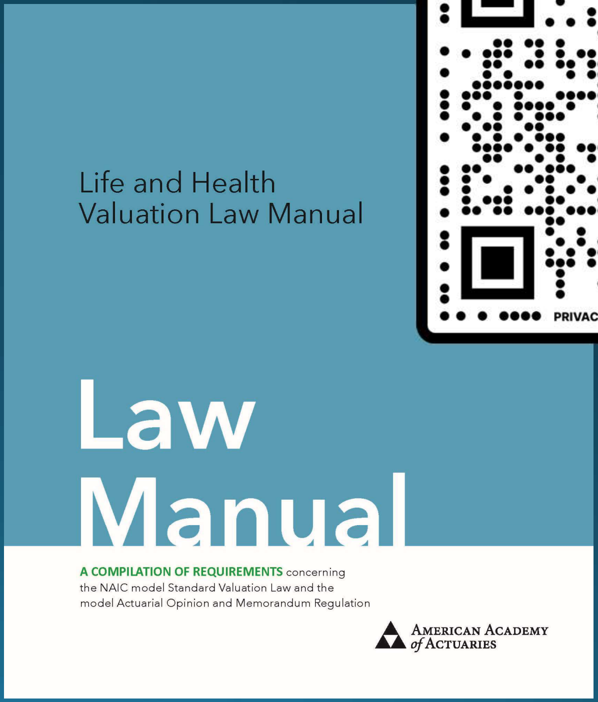
American Academy of Actuaries

Coming Soon

Life and Health Valuation Law Manual

What's Inside?

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



PRIVACY.FLOWCODE.COM

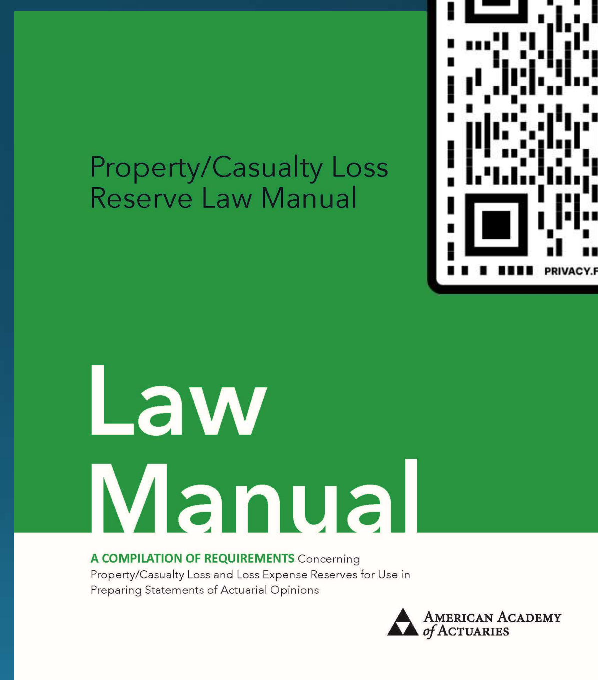
American Academy of Actuaries

Coming Soon

Property/Casualty Loss Reserve Law Manual

What's Inside?

- SAO requirements and the laws and regulations establishing those requirements;
- Annual statement instructions for the SAO for property/casualty, title loss, and loss expense reserves; and
- Other pertinent annual statement instructions.



American Academy of Actuaries

Plan ahead for these 2025 events

Investment Symposium
Spring 2025
New York, NY
Registration opening soon.

Life and Health Qualifications Seminar
Fall 2025
Arlington, Va.

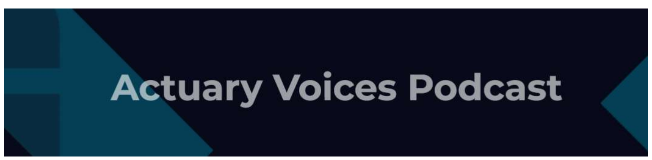
American Academy of Actuaries

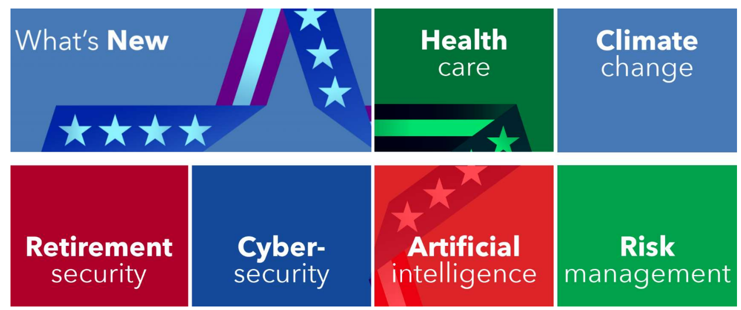
www.actuary.org/calendar

Other Resources

Follow the Academy on LinkedIn

Check out the Academy's Policy Issues Clearinghouse, Actuarially Sound blog, and Academy Voices podcast





American Academy of Actuaries

Thank you

Questions?

For more information, contact:
Amanda Barry-Moilanen, barrymoilanen@actuary.org

American Academy of Actuaries

Agenda Item 16

Hear an Update on Academy

Life Knowledge Statements

Materials Pending

Agenda Item 17

Hear a Presentation from the American Council on Gift Annuities (ACGA) on Charitable Gift Annuities

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

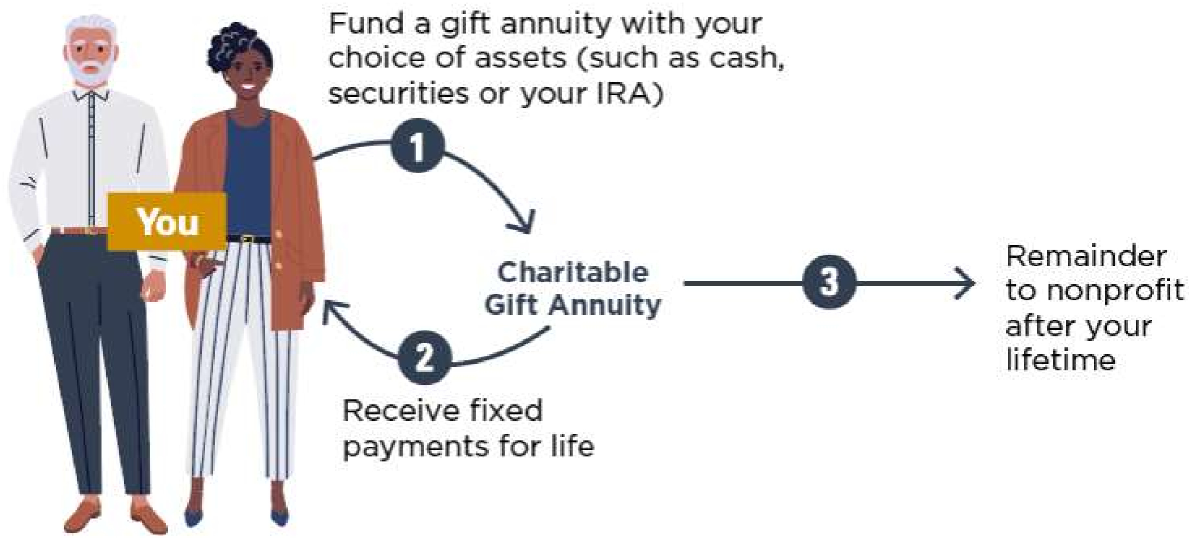
The ACGA and their role

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

Suggesting Payout Rates

Since **1927**

Recognized by charities, donors, state insurance departments, and the Internal Revenue Service as being **actuarially sound**

Responsive to the **best interests of all parties** involved

Updated at least **semi-annually**

Details of payout rates

Typically, 60-70% of commercial payout annuity rates

- Driven by residuum and conservatism

Mortality Assumptions

- 45-55 blend of the 2012 IAR male and female mortality
- A change from 50-50

Expense Assumptions

- 100bp of MV of assets netted against investment return

Investment Return Assumption

- Mixture of treasury bonds (10y), treasury bills (90d), and equity
- Conservative equity return assumptions

Mortality Study

2020 mortality study was largest ever

Over 50,000 active contracts which accounted for 31,703 unique lives

Five-year experience period 2015-2019

Data contributed by 31 organizations

Partnered with an external actuarial consulting firm

Regular Methodology Review

- Engage actuaries and consultants to provide additional insights
- A general reassessment of the assumptions underlying the rates
  - Experience of charities issuing gift annuities
  - Current interest rates, the investment market environment
  - Mortality of annuitants
  - Expenses incurred in administering a gift annuity program
- Review of the payout rates relative to commercial SPIAs

Education of members

REGULAR WEBINARS

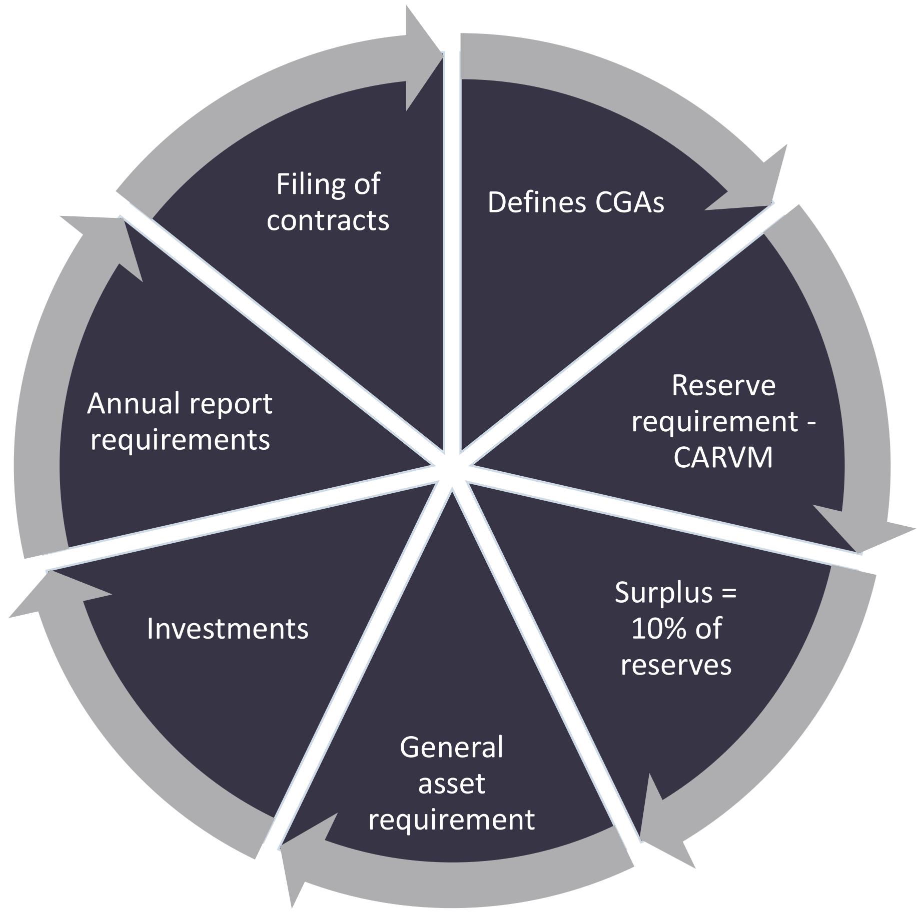
BI-ANNUAL CONFERENCES

DISSEMINATION OF BEST PRACTICES

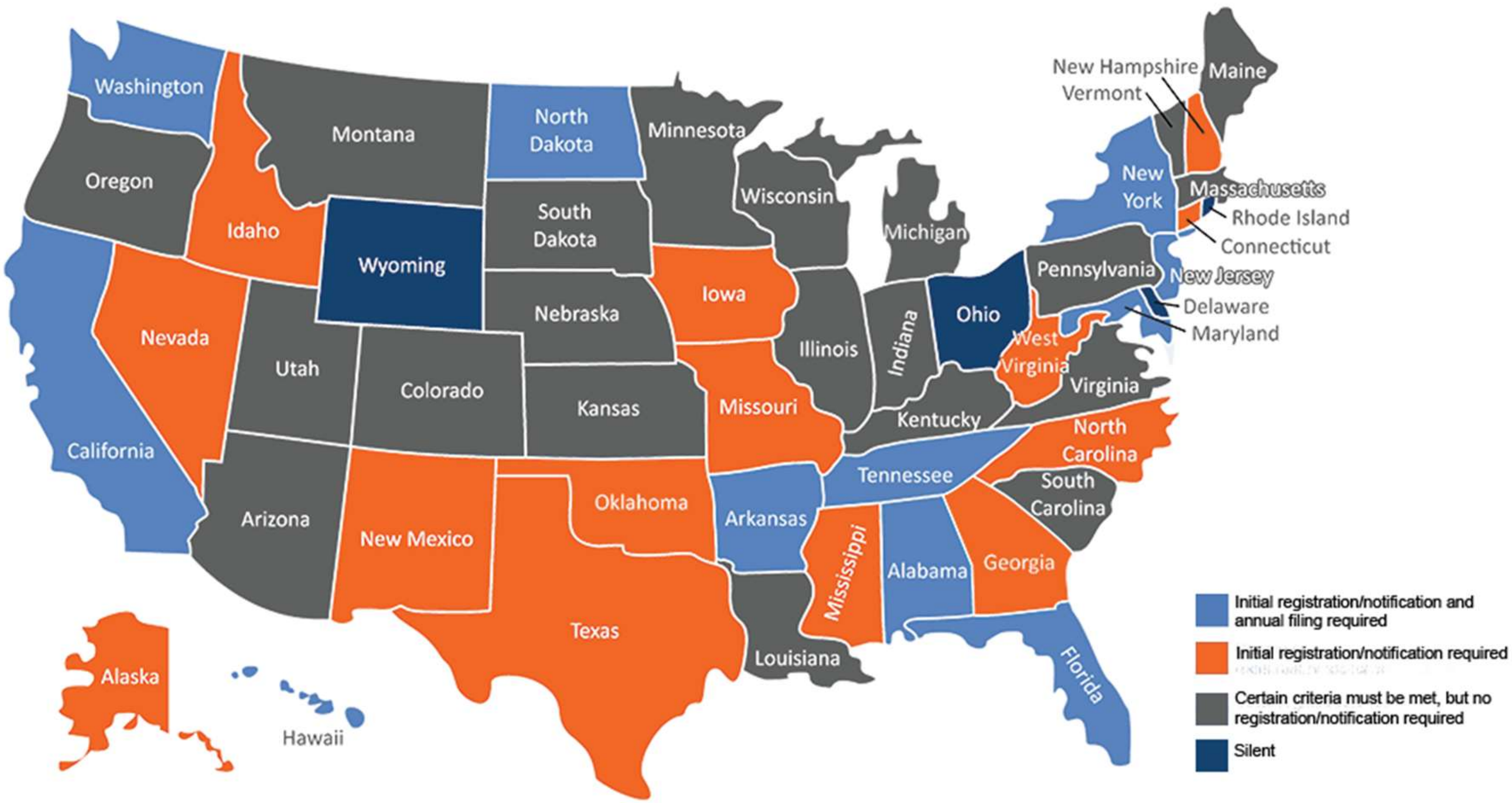
Regulatory Requirements

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

Source: PG Calc

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, OH [29], 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).

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