

MEETING MATERIALS PACKET

LIFE ACTUARIAL (A) TASK FORCE

August 9-10 2025

NAIC SUMMER NATIONAL MEETING

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## 2025 SUMMER NATIONAL MEETING MINNEAPOLIS, MN

Draft date: 7/25/25

*2025 Summer National Meeting  
Minneapolis, Minnesota*

### **LIFE ACTUARIAL (A) TASK FORCE**

Saturday, August 9, 2025

8:00 a.m. – 4:30 p.m.

Hilton Minneapolis—Grand Ballroom ABC—Level 3

Sunday, August 10, 2025

8:00 – 10:00 a.m.

Hilton Minneapolis—Grand Ballroom ABC—Level 3

### **ROLL CALL**

#### **NAIC Member**

Cassie Brown, Chair  
Scott A. White, Vice Chair  
Mark Fowler  
Lori K. Wing-Heier  
Peter M. Fuimaono  
Ricardo Lara  
Andrew N. Mais  
Ann Gillespie  
Holly W. Lambert  
Doug Ommen  
Vicki Schmidt  
Marie Grant  
Grace Arnold  
Angela L. Nelson  
Remedio C. Mafnas  
Eric Dunning  
Ned Gaines  
Justin Zimmerman  
Adrienne A. Harris  
Judith L. French  
Glen Mulready  
TK Keen  
Michael Humphreys  
Jon Pike

#### **Representative**

Rachel Hemphill, Chair  
Craig Chupp, Vice Chair  
Sanjeev Chaudhuri  
Sharon Comstock  
Elizabeth Perri  
Ahmad Kamil  
Wanchin Chou  
Matt Cheung  
Scott Shover  
Mike Yanacheak  
Nicole Boyd  
Nour Benchaaboun  
Fred Andersen  
William Leung  
Charlette C. Borja  
Michael Muldoon  
Maile Campbell  
Seong-min Eom  
William B. Carmello  
Peter Weber  
Andy Schallhorn  
Tashia Sizemore  
Steve Boston  
Tomasz Serbinowski

#### **State/Territory**

Texas  
Virginia  
Alabama  
Alaska  
American Samoa  
California  
Connecticut  
Illinois  
Indiana  
Iowa  
Kansas  
Maryland  
Minnesota  
Missouri  
N. Mariana Islands  
Nebraska  
Nevada  
New Jersey  
New York  
Ohio  
Oklahoma  
Oregon  
Pennsylvania  
Utah



NAIC Support Staff: Scott O’Neal/Jennifer Frasier

## AGENDA

### Saturday, August 9, 2025

- |                         |  |
|-------------------------|--|
| 8:00 – 8:05 a.m.        | 1. Consider Adoption of its Minutes and Written Subgroup Reports— <i>Rachel Hemphill (TX)</i>  |
| 8:05 – 9:15 a.m.        | 2. Consider Adoption of the Report of the Valuation Manual (VM)-22 (A) Subgroup, and Discuss Comments on the Retrospective Application of VM-22— <i>Ben Slutsker (MN)</i>  |
| 9:15 – 9:30 a.m.        | Break  |
| 9:30 – 10:30 a.m.       | 3. Consider Adoption of the Life and Annuity Illustration (A) Subgroup Report, and Consider Re-Exposure of Revisions to <i>Actuarial Guideline XLIX-A, The Application of the Life Illustrations Model Regulation to Policies with Index-Based Interest Sold on or After December 14, 2020 (AG 49-A)</i> — <i>Ben Slutsker (MN) and Fred Andersen (MN)</i> |
| 10:30 a.m. – 12:00 p.m. | 4. Discuss the Work of the Generator of Economic Scenarios (GOES) (E/A) Subgroup— <i>Mike Yanacheak (IA)</i><br>A. Discuss Key Revisions to the GOES Model Governance Framework<br>B. Consider Adoption of the GOES (E/A) Subgroup Report  |
| 12:00 – 1:15 p.m.       | Lunch  |
| 1:15 – 1:45 p.m.        | 5. Discuss the Work of the Variable Annuities Capital and Reserve (E/A) Subgroup— <i>Peter Weber (OH)</i><br>a. Consider Adoption of the Variable Annuities Capital and Reserve (E/A) Subgroup Report<br>b. Discuss Comments Received on Draft Blanks Changes to the Variable Annuities Supplement in the Annual Statement                                 |
| 1:45 – 2:45 p.m.        | 6. Consider Adoption of Historical Mortality Improvement (HMI) and Future Mortality Improvement (FMI) Factors— <i>Marianne Purushotham (Society of Actuaries—SOA)</i>  |





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|-----------------------|--|
| 2:45 – 3:00 p.m.      | Break  |
| 3:00 – 3:15 p.m.      | 7. Receive an Update on <i>Actuarial Guideline LIII—Application of the Valuation Manual for Testing the Adequacy of Life Insurer Reserves (AG 53) Reports</i> — <i>Fred Andersen (MN)</i>          |
| 3:15 – 4:00 p.m.      | 8. Discuss <i>Actuarial Guideline LV—Application of the Valuation Manual for Testing the Adequacy of Reserves Related to Certain Life Reinsurance Treaties (AG 55)</i> — <i>Fred Andersen (MN)</i> |
| 4:00 p.m. – 4:30 p.m. | 9. Discuss Comments on Amendment Proposal Form (APF) 2025-05 and Consider Re-Exposure— <i>Rachel Hemphill (TX)</i>   |

**Sunday, August 10, 2025**

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|-------------------|---|
| 8:00 – 8:20 a.m.  | 10. Hear an Update on SOA Research and Education— <i>R. Dale Hall (SOA)</i>   |
| 8:20 – 8:35 a.m.  | 11. Consider Exposure of the Generally Recognized Expense Tables (GRETs)— <i>R. Dale Hall (SOA)</i>   |
| 8:35 – 8:50 a.m.  | 12. Hear an Update from the American Academy of Actuaries (Academy) Council on Professionalism and Education— <i>Darrell Knapp (Academy)</i> , <i>Kevin Dyke (Actuarial Standards Board—ASB)</i> , and <i>Ed Lee (Actuarial Board for Counseling and Discipline—ABCD)</i> |
| 8:50 – 9:05 a.m.  | 13. Hear an Update from the Academy Life Practice Council— <i>Amanda Barry-Moilanen (Academy)</i>   |
| 9:05 – 9:20 a.m.  | 14. Hear an Update on non-US Industry Mortality Table Reviews by the Task Force— <i>Rachel Hemphill (TX)</i>  |
| 9:20 – 9:35 a.m.  | 15. Update on Partially-Guaranteed and Guaranteed Yearly-Renewable Term (YRT) Reinsurance— <i>Rachel Hemphill (TX)</i>  |
| 9:35 – 10:00 a.m. | 16. Discuss Any Other Matters Brought Before the Task Force— <i>Rachel Hemphill (TX)</i>  |
| 10:00 a.m.        | Adjournment   |

Agenda Item 1  
Consider Adoption of its Minutes  
and Written Subgroup Reports

Draft: 7/29/25

Life Actuarial (A) Task Force  
Virtual Meeting  
July 10, 2025

The Life Actuarial (A) Task Force met July 10, 2025. 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); Peter M. Fuimaono represented by Elizabeth Perri (AS); Mark Fowler represented by Sanjeev Chaudhuri (AL); Ricardo Lara represented by Ahmad Kamil, Thomas Reedy, and Elaine Lam (CA); Andrew N. Mais represented by Wanchin Chou (CT); Ann Gillespie represented by Matt Cheung (IL); Holly W. Lambert represented by Scott Shover (IN); Doug Ommen represented by Mike Yanacheak (IA); Vicki Schmidt represented by Nicole Boyd (KS); Marie Grant represented by Nour Bouchaoub (MD); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Angela L. Nelson represented by William Leung (MO); Justin Zimmerman represented by Seong-min Eom (NJ); Adrienne A. Harris represented by William B. Carmello (NY); Judith L. French represented by Peter Weber and Matthew Elston (OH); Glen Mulready represented by Andy Schallhorn (OK); TK Keen represented by Tashia Sizemore (OR); and Michael Humphreys represented by Steve Boston (PA).

1. Discussed PBR for YRT

Linda Lankowski (American Academy of Actuaries—Academy) gave a presentation (Attachment A) on different types of yearly renewable term (YRT) reinsurance.

Slutsker said that there are two types of YRT reinsurance defined in the *Valuation Manual*: guaranteed and non-guaranteed. Partially guaranteed YRT treaties are not a concept defined in VM-20, Requirements for Principle-Based Reserves for Life Insurance. Lankowski stated that the Academy does not believe it is the best approach to simply classify treaties as either guaranteed or non-guaranteed when there are many treaties that exist in the middle ground. Slutsker asked: 1) Is the issue about the duration of the guarantee, or is it more about treaty conditions; and 2) Is the Academy's view that VM-20 currently allows for distinct treatment for partially guaranteed YRT reinsurance? Lankowski stated that the Academy thinks that principle-based reserve (PBR) models should be used instead of formula-based approaches. Hemphill asked Reedy if his team could review PBR actuarial reports to see how different YRT contracts are currently being handled. Reedy stated that California collects some of that information, and he had seen some different practices emerge. Reedy said he could follow up with more information.

Sheldon Summers (Claire Thinking Inc.), speaking on his own behalf, thought the duration-based issues of the guarantee can easily be handled by modeling the years that are guaranteed and then using the formulaic reserve credit thereafter. Sheldon said that it is desirable to allow for actuarial judgment, but that may allow too much freedom for companies. One option could be to allow for judgment but impose guardrails, and the other option would be to consider treaties as either non-guaranteed or guaranteed. Sheldon concluded by stating that the assumed and ceded reserves should be handled so that the solution is not conservative for one and aggressive for the other. Chanhoo Lee (Academy) stated that some additional YRT definitions may be needed in VM-01, Definitions for Terms in Requirements. Lauren Cross (Academy) said there is a variation in practice on the direct writer and assuming side, so she hoped an agreement could be made regarding partially guaranteed treaties and allowing for actuarial judgment.

Slutsker stated there is a lot of interest in exploring what exists in the market and that regulation needs to be responsive to that. He stated that, in his opinion, the *Valuation Manual* does not currently allow for anything

other than guaranteed and non-guaranteed. He concluded by saying he is concerned that some are viewing the language as having a gray area, but he is willing to change the language if that is what the review supports.

Yanacheak asked if there should be a referral to the Valuation Analysis (E) Working Group. Hemphill stated that the Working Group would likely be looking into examples of partially guaranteed YRTs, and the Task Force can expect more training on this from the Academy in the future.

## 2. Discussed Other Matters

Hemphill stated that the Task Force will conduct a regulator-only meeting on July 17 where a company will present the non-U.S. mortality tables for Task Force approval. This is to be consistent with changes to VM-20, Sections 3.C.1.h and 9.C.3.b, where non-U.S. mortality tables must be used if a company has non-U.S. lives, and companies must get that approved by the Task Force. Elston asked if every carrier of non-U.S. business needed to contact the Task Force for those approvals. Hemphill said yes and also stated that the Task Force can request a presentation to review the tables and other associated information ahead of approval.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/A CMTE/LATF/2025-2-Summer/LATF Calls/07 10/Jul 10 Minutes.docx

Draft: 7/16/25

Life Actuarial (A) Task Force  
Virtual Meeting  
June 26, 2025

The Life Actuarial (A) Task Force met June 26, 2025. 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); Mark Fowler represented by Sanjeev Chaudhuri (AL); Ricardo Lara represented by Ahmad Kamil, Thomas Reedy, and Elaine Lam (CA); Andrew N. Mais represented by Wanchin Chou (CT); Ann Gillespie represented by Matt Cheung (IL); Vicki Schmidt represented by Nicole Boyd (KS); Marie Grant represented by Nour Benchaaboun (MD); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Angela L. Nelson represented by William Leung (MO); Scott Kipper represented by Maile Campbell (NE); Justin Zimmerman represented by Seong-min Eom and David Wolf (NJ); Adrienne A. Harris represented by William B. Carmello (NY); Judith L. French represented by Peter Weber (OH); Andrew R. Stolfi represented by Tashia Sizemore (OR); Michael Humphreys represented by Steve Boston (PA); and Jon Pike represented by Tomasz Serbinowski (UT).

1. Discussed VM-20 Historical and Future Mortality Improvement

Marianne Purushotham (Society of Actuaries—SOA) walked through a presentation on the historical mortality improvement (HMI) and future mortality improvement (FMI) assumptions for Valuation Manual (VM)-20, Requirements for Principle-Based Reserves for Life Insurance.

Brian Bayerle (American Council of Life Insurers—ACLI) discussed the ACLI's comment letter, noting support for the use of insured population data. Bayerle said he expected the volatility in the HMI assumption to decrease when there are more years of insured population data. Noting a key question regarding the insured data, Bayerle stated that declining mortality improvement in ages over 86 may be caused by the insured population having access to more treatment earlier in life. Bayerle continued to state that the ACLI does not have concerns with combining smokers and non-smokers. Bayerle concluded by suggesting that the results between the general population and insured population should be regularly monitored. Purushotham discussed volatility in the insured data, noting that it was the SOA's practice to only make changes to the assumptions when they were material. Purushotham stated that in time, as the COVID-19 period gets further away, it will become clearer if the insured population data is more stable.

Hemphill exposed the presentation (Attachment A) and the HMI and FMI rates sheet for a 31-day public comment period ending July 25.

2. Discussed VM-22 Guardrail

During the discussion of other matters, Wolf proposed reviewing the VM-22, Requirements for Principle-Based Reserves for Non-Variable Annuities, reinvestment guardrail. Wolf stated that New Jersey is in support of VM-22, but that understanding the sensitivity of the reinvestment guardrail on group annuities that support pension risk transfers (PRT) would be beneficial. Wolf said that group annuities on PRT are unique and subject to additional regulations and that he wants to reduce any incentive for offshore reinsurance. He concluded by saying that the business supports the pensions of U.S. retirees, and it should be under the direct supervision of state regulators.

After Hemphill inquired about the availability of insurance companies to perform testing on the sensitivity of PRT business to different reinvestment guardrail requirements, Bayerle said it would be more beneficial to wait to test until more recent generator of economic scenarios (GOES) scenarios become available, and September 2025 would be the ideal time for companies to share the results.

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

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Draft: 7/16/25

Life Actuarial (A) Task Force  
Virtual Meeting  
June 18, 2025

The Life Actuarial (A) Task Force met June 18, 2025. 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); Mark Fowler represented by Sanjeev Chaudhuri (AL); Peter M. Fuimaono represented by Elizabeth Perri (AS); Ricardo Lara represented by Ahmad Kamil, Thomas Reedy, and Elaine Lam (CA); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Ann Gillespie represented by Matt Cheung (IL); Holly W. Lambert represented by Scott Shover (IN); Vicki Schmidt represented by Nicole Boyd (KS); Marie Grant represented by Nour Bouchaoub (MD); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Angela L. Nelson represented by William Leung (MO); Justin Zimmerman represented by Seong-min Eom (NJ); Adrienne A. Harris represented by William B. Carmello (NY); Judith L. French represented by Peter Weber (OH); Glen Mulready represented by Andy Schallhorn (OK); Andrew R. Stolfi represented by Tashia Sizemore (OR); and Michael Humphreys represented by Steve Boston (PA).

1. Adopted APF 2025-11

Hemphill introduced amendment proposal form (APF) 2025-11, which will establish Valuation Manual (VM)-22, Requirements for Principle-Based Reserves for Non-Variable Annuities.

Slutsker made a motion, seconded by Eom, to adopt APF 2025-11 (Attachment A). The motion passed, with New York voting no.

2. Exposed APF 2025-12

Slutsker introduced APF 2025-12, which would specify requirements around VM-22 additional standard projection amount (ASPA) disclosures and credibility. Slutsker said that APF 2025-12 specifies that: 1) companies need credible assumptions for the stochastic reserve (SR) to demonstrate that their reserves are sufficient in the case that ASPA is indicated, and 2) the ASPA is not a safe harbor. Slutsker said that APF 2025-12 includes revisions to VM-31, Principle-Based Reserve Actuarial Report Requirements for Business Subject to a Principle-Based Valuation, to add an attribution analysis on the ASPA that would be required every three years.

Huijing Sullivan (Jackson National Life Insurance Company) asked if additional disclosures were required in the case that the ASPA is zero. Slutsker said that his interpretation of the existing APF 2025-12 language was that the disclosures were required only when the ASPA was greater than zero, to which Hemphill agreed. Cheung asked if all companies would have to start in year one for the reporting requirements due every three years. Hemphill replied that it is not binding in the first three years, but companies would have to do it at least every three years after the first three years.

The Subgroup agreed to expose APF 2025-12 for a 60-day public comment period ending Aug. 19.

3. Exposed VM-22 Retroactive Application Questions

Slutsker introduced potential options for retroactive application of VM-22, noting that APF 2025-11 only requires prospective implementation between 2026 and 2029. Eom stated that New Jersey proposed a retroactive

application of VM-22 for business issued prior to the current effective date of Jan. 1, 2026. Eom said that retroactive application could reduce incentives for offshore reinsurance transactions due to redundant formulaic statutory reserves. Eom said that, in particular, this could reduce offshore reinsurance incentives for pension risk transfer (PRT) and fixed annuities, as those are the biggest blocks of business being offshored.

Cheung asked if the retroactive implementation would be optional or mandatory. Eom stated that it could be either, noting that if it were mandatory and the company's current formulaic reserve was greater than what would be required under VM-22, then that company would already satisfy the principle-based reserve requirements. Reedy stated that if VM-22 is retroactively implemented, there needs to be planning for resource allocation for regulatory reviews.

Slutsker, in his capacity as Chair of the VM-22 (A) Subgroup, exposed questions on retroactive application for VM-22 for a 31-day public comment period ending July 21.

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

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Draft: 7/25/25

Life Actuarial (A) Task Force  
Virtual Meeting  
June 12, 2025

The Life Actuarial (A) Task Force met June 12, 2025. 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); Ricardo Lara represented by Ahmad Kamil, Thomas Reedy, and Elaine Lam (CA); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Ann Gillespie represented by Matt Cheung (IL); Holly W. Lambert represented by Scott Shover (IN); Marie Grant represented by Nour Benchaaboun (MD); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Angela L. Nelson represented by William Leung (MO); Eric Dunning represented by Michael Muldoon (NE); Justin Zimmerman represented by Seong-min Eom (NJ); Scott Kipper represented by Maille Campbell (NV); Adrienne A. Harris represented by William B. Carmello (NY); Judith L. French represented by Peter Weber (OH); Glen Mulready represented by Andy Schallhorn (OK); Andrew R. Stolfi represented by Tashia Sizemore and Joshua Blakey (OR); Michael Humphreys represented by Steve Boston (PA); and Jon Pike represented by Tomasz Serbinowski (UT).

1. Adopted APF 2025-04

Hemphill introduced amendment proposal form (APF) 2025-04, which will effectuate the generator of economic scenarios (GOES) into the *Valuation Manual* for 2026. Brian Bayerle (American Council of Life Insurers—ACLI) spoke to the ACLI's comment letter, noting a preference not to make changes to the VM-20, Requirements for Principle-Based Reserves for Life Insurance, stochastic exclusion ratio test (SERT), given the lack of information from the 2024 field test. Hemphill said that she felt strongly about moving the SERT to a prudent-estimate basis, and that revised language to allow for the use of passing SERT results from the past three years should address some of the ACLI's concerns. Hemphill said that the three-year time period will give regulators additional time to determine if other tweaks to the SERT are necessary.

Hal Pedersen (American Academy of Actuaries—Academy) spoke to the Academy's comment letter, noting: 1) the acceptance criteria should be the basis for approving non-prescribed generators rather than tests based on reserves; 2) concerns with the documentation of the corporate model; and 3) offering assistance with improving the SERT documentation and identifying when a scenario generator would need to be updated as a result of changes in the economic environment. Pedersen asked when the decision had been made regarding corporate model selection. Scott O'Neal (NAIC) responded that on Feb. 21, 2024, the GOES (E/A) Subgroup voted to use the Conning corporate model for the 2024 GOES field test. Following the field test, state insurance regulators made changes to the GOES model, but kept the Conning corporate model used in the 2024 field test for adoption.

Hemphill then began discussions on the optional phase-in for reserve impacts resulting from the implementation of the GOES. Yanacheak said that the proposal for a seven-year phase-in gives companies that are not engaged in proper hedging for risk management a pass. Weber agreed with Yanacheak but noted concerns with offering no phase-in at all and the potential for companies to be in a tough position if a market downturn occurs. Weber said that he supported a three-year phase-in period, to which Chou and Leung agreed.

Slutsker made a motion, seconded by Weber, to adopt APF 2025-04 (Attachment A) with an optional three-year phase-in using the amortization approach. The motion passed with New York abstaining.

## 2. Adopted APF 2025-06 and Life Knowledge Statements

Hemphill introduced APF 2025-06, which updates the definitions of qualified actuary and appointed actuary to add reference to the respective knowledge statements. Hemphill noted several editorial changes made to the life knowledge statements that were made based on suggestions from the Academy, the ACLI, and John Robinson (Retired).

Cheung made a motion, seconded by Yanacheak, to adopt APF 2025-06 (Attachment B) and the Appointed Actuary (Attachment C), Illustration Actuary (Attachment D), and Qualified Actuary (Attachment E) knowledge statements with the editorial changes noted previously by Hemphill. The motion passed, with New York abstaining.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/A CMTE/LATF/2025-2-Summer/LATF Calls/06 12/Jun 12 Minutes.docx

Draft: 7/24/25

Life Actuarial (A) Task Force  
Virtual Meeting  
June 5, 2025

The Life Actuarial (A) Task Force met June 5, 2025. 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); Mark Fowler represented by Sanjeev Chaudhuri (AL); Ricardo Lara represented by Ahmad Kamil, Thomas Reedy, and Elaine Lam (CA); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Vicki Schmidt represented by Nicole Boyd (KS); Marie Grant represented by Nour Benchaaboun (MD); Ann Gillespie represented by Matt Cheung (IL); Holly W. Lambert represented by Scott Shover (IN); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Angela L. Nelson represented by William Leung (MO); Eric Dunning represented by Michael Muldoon (NE); Justin Zimmerman represented by Seong-min Eom and David Wolf (NJ); Adrienne A. Harris represented by William B. Carmello (NY); Judith L. French represented by Peter Weber (OH); Glen Mulready represented by Andy Schallhorn (OK); Andrew R. Stolfi represented by Tashia Sizemore and Joshua Blakey (OR); Michael Humphreys represented by Steve Boston (PA); and Jon Pike represented by Tomasz Serbinowski (UT).

1. Adopted AG ReAAT

Andersen began discussion of the *Asset Adequacy for Reinsurance Actuarial Guideline* (AG ReAAT) draft by highlighting a series of typos that had been corrected based on feedback from commenters. Linda Lankowski (American Academy of Actuaries—Academy) suggested referring to asset adequacy “analysis” rather than “testing,” to which Andersen agreed.

After Andersen introduced changes to the language supporting exemption requests, Serbinowski said that he preferred not to make it a hard requirement that state insurance regulators provide notice and instead make it recommended. Andersen noted that the requirement for state insurance regulators to provide notice was in the spirit of uniformity, particularly considering that next year will be the first year of reporting. Serbinowski replied that he could be comfortable with basic information being provided but felt that the current language required commissioners to explain themselves when accepting an exemption request. After additional discussion, Hemphill proposed language that would require the state insurance regulator to provide a copy of the support for the exemption request. No Task Force member objected to Hemphill’s suggested language.

Andersen made a motion, seconded by Yanacheak, to adopt AG ReAAT with the discussed edits (Attachment A). During discussion of the motion, Peter Gould (Retired Insurance Consumer) noted concerns with the disclosure-only nature of AG ReAAT. Anderson acknowledged Gould’s concerns and said that he would keep them in mind when considering changes to AG ReAAT after the first year. Wolf said that the AG ReAAT will provide state insurance regulators with more information that they can act on if they feel it is necessary.

The motion passed, with New York abstaining.

2. Adopted APF 2025-08

Leung made a motion, seconded by Weber, to adopt APF 2025-08 (Attachment B) which revises the Identification Section of the Life Actuarial Opinion to handle appointed actuaries who are employed by one company within an insurance group, and who sign opinions on behalf of other companies within the group. The motion passed, with New York abstaining.

3. Adopted APF 2025-09

Reedy made a motion, seconded by Weber, to adopt APF 2025-09 (Attachment C) that clarifies requirements to ensure that expense risk in reinsurance is adequately reserved for. The motion passed, with New York abstaining.

4. Adopted APF 2025-10

Weber made a motion, seconded by Schallhorn, to adopt APF 2025-10 (Attachment D) that revises the reinvestment guardrail to have a minimum quality rather than a prescribed quality. The motion passed, with New York abstaining.

5. Heard an Update on VM-20 HMI and FMI

Marianne Purushotham (Society of Actuaries—SOA) provided an update on the recommendation for the 2026 Valuation Manual (VM)-20, Requirements for Principle-Based Reserves for Life Insurance, historical mortality improvement (HMI) and future mortality improvement (FMI) factors. Purushotham requested that Hemphill expose a set of questions that the SOA volunteer group would like feedback on. Hemphill agreed to perform a chair exposure once the set of questions was provided.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/A CMTE/LATF/2025-2-Summer/LATF Calls/06 05/Jun 5 Minutes.docx

Draft: 7/24/25

Life Actuarial (A) Task Force  
Virtual Meeting  
May 29, 2025

The Life Actuarial (A) Task Force met May 29, 2025. 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); Mark Fowler represented by Sanjeev Chaudhuri (AL); Ricardo Lara represented by Ahmad Kamil, Thomas Reedy, Ted Chang, and Elaine Lam (CA); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Ann Gillespie represented by Matt Cheung (IL); Holly W. Lambert represented by Scott Shover (IN); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Angela L. Nelson represented by William Leung (MO); Eric Dunning represented by Michael Muldoon (NE); Justin Zimmerman represented by Seong-min Eom and David Wolf (NJ); Adrienne A. Harris represented by William B. Carmello (NY); Judith L. French represented by Peter Weber (OH); Glen Mulready represented by Andy Schallhorn (OK); Andrew R. Stolfi represented by Tashia Sizemore and Joshua Blakey (OR); Michael Humphreys represented by Steve Boston (PA); and Jon Pike represented by Tomasz Serbinowski (UT).

1. Exposed AG ReAAT

Andersen began walking through a presentation (Attachment A) that proposed suggested edits to the *Asset Adequacy for Reinsurance Actuarial Guideline* (AG ReAAT) draft based on comments from interested parties. After discussions of potential issues with covered agreements, Karalee Morell (Reinsurance Association of America—RAA) said that even though AG ReAAT is disclosure-only, it could still have covered agreement implications and, therefore, asked that reinsurance transactions involving entities domiciled in covered agreement jurisdictions be exempted from the requirements. Jigar Gandhi (Swiss Re) noted that Swiss Re is not domiciled in a jurisdiction subject to a covered agreement and that it does not support RAA's position on the exemption.

Andersen then discussed the assets to include in the starting asset amount for testing under AG ReAAT, noting a proposal to start with admitted assets and then exclude certain asset types referred to as "Guideline Excluded Assets" in AG ReAAT. Cheung asked for more information on what was meant by assets only admitted pursuant to permitted practices. Andersen replied that, given the AG ReAAT was disclosure-only, the idea is to get more uniformity across states. Andersen continued that the topic could be revisited in the future if AG ReAAT were to go beyond disclosure-only.

Regarding the topic of aggregation across product lines, Hemphill noted a concern with a proposal to not require product-level analysis. Brian Bayerle (American Council of Life Insurers—ACLI) said that the ACLI does not support requiring product-level analysis, noting that *Valuation Manual* (VM)-30, Actuarial Opinion and Memorandum Requirements, do not require that level of granularity. Andersen said that in his review of treaties expected to be subject to AG ReAAT, he saw that it was fairly rare for a treaty to include both life and annuity products. After discussion, the Task Force agreed to revise the language to indicate that product-level analysis would be required after the first year. Andersen then moved on to a proposal from Missouri to exclude some of the smaller treaties from otherwise large cedants. After discussion, the Task Force agreed to move forward with the Missouri proposal.

Andersen then discussed the potential to have the Valuation Analysis (E) Working Group review exemption requests. Yanacheak supported this idea, stating that he expected some companies to have treaty provisions that adequately reduce and ensure proper hedging and reserving of the liabilities, and that those companies ultimately should be exempted from AG ReAAT. Wolf said that if an exemption request were to be granted, it should be with the assurance that the block does not have deficiencies and will not have deficiencies in the future. Yanacheak

said that Wolf's provision was more stringent than he expected, and that perhaps treaties that were given an exemption could be tested as part of a five-year company review. Andersen suggested that the addition of a requirement for exemption is that the results of cashflow testing would be expected not to come up deficient for all reasonable scenarios. The Task Force agreed to move forward with that language.

Andersen said that he would draft the edits to the AG ReAAT discussed in the meeting for exposure the following day. The AG ReAAT would then be exposed for a 4-day public comment period ending June 3.

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

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Draft: 7/24/25

Life Actuarial (A) Task Force  
Virtual Meeting  
May 28, 2025

The Life Actuarial (A) Task Force met May 28, 2025. 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); Mark Fowler represented by Sanjeev Chaudhuri (AL); Ricardo Lara represented by Ahmad Kamil (CA); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Ann Gillespie represented by Matt Cheung (IL); Vicki Schmidt represented by Nicole Boyd (KS); Grace Arnold represented by Ben Slutsker (MN); Angela L. Nelson represented by William Leung (MO); Justin Zimmerman represented by Seong-min Eom (NJ); Adrienne A. Harris represented by William B. Carmello (NY); Judith L. French represented by Peter Weber (OH); Glen Mulready represented by Andy Schallhorn (OK); Andrew R. Stolfi represented by Tashia Sizemore (OR); Michael Humphreys represented by Steve Boston (PA); and Jon Pike represented by Tomasz Serbinowski (UT).

1. Exposed APF 2025-11

Slutsker introduced amendment proposal form (APF) 2025-11, which is the proposed Valuation Manual (VM)-22, Requirements for Principle-Based Reserves for Non-Variable Annuities, framework. He pointed out that the current reserving methodology has a formulaic approach that requires prescribed assumptions. Slutsker continued that as products have changed and become more complex over the last few decades, it has become more challenging to calculate the reserve as the highest projected benefit amount on a present value basis across different policyholder options. Slutsker said that in the VM-22 framework, the reserve is calculated as the average of the highest net-negative cashflow on a present value basis for the results of the worst 30% of the economic scenarios. He said that the VM-22 reserving methodology will apply to newly issued contracts effective Jan. 1, 2026 with an optional three-year implementation period.

Slutsker then summarized various edits made to different *Valuation Manual* sections. He said Section II is an overview of reserve treatment. Significant edits were made to Section II, Subsection 2 to delineate the scope of annuity products between VM-21, Requirements for Principle-Based Reserves for Variable Annuities and VM-22. Section II, Subsection 3 discusses the potential applicability of VM-22 on deposit-type contracts. Section II, Subsection 6 has more substantive edits that clarify the guarantees on annuity contracts, which must be valued together with the base contract under the applicable methodology. Many new additions were made to definitions in VM-01, Definitions for Terms in Requirements for guarantees of products now included in VM-22, which were not mentioned in the *Valuation Manual* previously.

Slutsker said that the 13 sections in VM-22 mirror the structure of VM-21. Section 1 provides a list of principles that underlie the requirements which are almost identical to those in VM-21. Section 2 covers scope and timing. Section 3 specifies key elements of the framework. VM-22 allows aggregation of payout and accumulation annuities under certain conditions. Section 4 covers detailed elements of the calculations. It describes the calculation for starting assets, reinvestments, and accumulated deficiencies. It also contains requirements for hedging programs that solely support index credits. Section 5 specifies what to do for the PBR calculation on a gross and net of reinsurance basis, respectively. The reserve credit equals the difference between the two calculations. Section 6 specifies that the standard projection amount (SPA) in VM-22 is for disclosure purposes only as opposed to serving as a floor in VM-21. Slutsker noted that there is a follow-up initiative based on the Task Force's referral to ensure that companies will be required to use the SPA as a floor when there is a lack of credibility for certain assumptions.

Slutsker continued the discussion on Section 7 that covers exclusion testing and is structured similarly to that in VM-20, Requirements for Principle-Based Reserves for Life Insurance. If a company would rather use the current formulaic methodology than PBR, it can do so by passing the stochastic exclusion ratio test or demonstration test. Section 7, Subsection E specifies that a payout annuity contract, which does not offer cash surrender values, has an option to pass a single scenario test. Section 8 on scenario generation is identical to the same section in VM-21. However, an amendment was made to accommodate the new NAIC generator of economic scenarios (GOES). Section 9 covers hedging for guaranteed living benefits, while hedging for index credits is covered in Section 4. Section 10 gets into principles around company-specific contract holder behavior assumptions. It also describes what to do when there is a lack of credible assumptions. Section 11 provides principles around the use of company-specific mortality assumptions. However, when there is a lack of credible assumptions, it states that the prescribed mortality tables for SPA should be used. Additionally, a different direction of margins should be used when a contract is more subject to longevity versus mortality risk. Section 12 specifies principles for other liability assumptions, such as expense. Section 13 on allocation discusses how an aggregate reserve amount should be attributed to individual contracts.

Slutsker made a motion, seconded by Yanacheak, to expose APF 2025-11 for a 21-day public comment period ending June 17. The motion passed unanimously.

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

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Draft: 7/25/25

Life Actuarial (A) Task Force  
Virtual Meeting  
May 15, 2025

The Life Actuarial (A) Task Force met May 15, 2025. 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); Ricardo Lara represented by Ahmad Kamil, Thomas Reedy, and Elaine Lam (CA); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Ann Gillespie represented by Matt Cheung (IL); Holly W. Lambert represented by Scott Shover (IN); Vicki Schmidt represented by Nicole Boyd (KS); Marie Grant represented by Nour Benchaaboun (MD); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Angela L. Nelson represented by William Leung (MO); Scott Kipper represented by Maile Campbell (NV); Adrienne A. Harris represented by William B. Carmello (NY); Judith L. French represented by Peter Weber (OH); Andrew R. Stolfi represented by Tashia Sizemore (OR); Michael Humphreys represented by Steve Boston (PA); and Jon Pike represented by Tomasz Serbinowski (UT).

1. Re-Exposed APF 2025-04

Hemphill introduced amendment proposal form (APF) 2025-04, which will effectuate the generator of economic scenarios (GOES) in the *Valuation Manual* for 2026. Brian Bayerle (American Council of Life Insurers—ACLI) spoke to the ACLI's comment letter, noting that the ACLI would like to see revisions to the language describing the deterministic reserve scenario in Valuation Manual (VM)-20, Requirements for Principle-Based Reserves for Life Insurance, to account for the recently approved modifications to the deterministic reserve scenario formula. Hemphill responded that the changes could be made to the draft intended for exposure.

Hemphill then spoke to her own comment letter, noting several technical issues and suggesting that any phase-in needs to be performed separately on the VM-20 deterministic and stochastic reserves.

Rhonda Ahrens (Thrivent Financial) then spoke to Thrivent's comment letter, noting concerns with moving to a prudent-estimate rather than best-estimate basis for the VM-20 Stochastic Exclusion Ratio Test (SERT).

Scott O'Neal (NAIC) walked through the phase-in language. Hemphill suggested removing references to the VM-20 stochastic and deterministic exclusion tests. O'Neal then discussed the provisions for non-prescribed scenario generators in APF 2025-04. Hemphill suggested: 1) adding language to phase-in sections to reference the bond funds; and 2) edits to the current draft of APF 2025-04 to reference the modeling simplifications, approximations, and efficiency techniques in VM-20, Section 2.G when using non-prescribed scenarios.

John Robinson (Retired) asked what the process would be if companies were using a non-prescribed generator but were unable to meet the VM-20, Section 2.G requirements. Hemphill replied that in that case, one remedy could be for companies to hold a topside adjustment on their reserves. Cheung agreed with Hemphill.

O'Neal then introduced the topic of VM-31, PBR Actuarial Report Requirements for Business Subject to a Principle-Based Valuation, documentation requirements for the use of a non-prescribed generator. Connie Tang (Retired) suggested adding documentation regarding the non-prescribed generator's parameters, calibration methodology, and whether the non-prescribed generator also produced the SERT and deterministic reserve scenarios. Cheung said that information on any structural changes to the non-prescribed generator should be included in the principle-based reserving (PBR) actuarial report.

Leung made a motion, seconded by Yanacheak, to re-expose APF 2025-04 for a 14-day public comment period ending May 28, with revisions to: 1) change the deterministic reserve scenario description; 2) make reference to VM-20, Section 2.G in the non-prescribed scenario generator section; 3) remove references to the VM-20 exclusion tests in the phase-in section; and 4) add a reference to the bond fund scenarios in the phase-in section along with an exposure question on whether the SERT scenarios should be on a prudent estimate basis. The motion passed unanimously.

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

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Draft: 7/10/25

Life Actuarial (A) Task Force  
Virtual Meeting  
May 8, 2025

The Life Actuarial (A) Task Force met on May 8, 2025. The following Task Force members participated: Cassie Brown, Chair, represented by Rachel Hemphill and Matthew Richard (TX); Scott A. White, Vice Chair, represented by Craig Chupp (VA); Lori K. Wing-Heier represented by Sharon Comstock (AK); Mark Fowler represented by Sanjeev Chaudhuri (AL); Ricardo Lara represented by Ahmad Kamil, Thomas Reedy, and Elaine Lam (CA); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Ann Gillespie represented by Matt Cheung (IL); Holly W. Lambert represented by Scott Shover (IN); Vicki Schmidt represented by Nicole Boyd (KS); Marie Grant represented by Nour Bouchaoub (MD); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Justin Zimmerman represented by Seong-min Eom (NJ); Scott Kipper represented by Maile Campbell (NV); Adrienne A. Harris represented by William B. Carmello (NY); Judith L. French represented by Peter Weber (OH); Glen Mulready represented by Andy Schallhorn (OK); Andrew R. Stolfi represented by Tashia Sizemore (OR); Michael Humphreys represented by Steve Boston (PA); and Jon Pike represented by Tomasz Serbinowski (UT).

1. Adopted APF 2024-16

Katie Campbell (Interstate Insurance Product Regulation Commission—Compact) introduced amendment proposal form (APF) 2024-16, which will add clarity to the nonforfeiture requirements for universal life (UL) policies where the cash surrender value is based on multiple sets of accounts with different guaranteed interest rates. Campbell noted that three companies have filed UL with multiple sets of guarantees. In each of those products, Campbell said that the actuary tested nonforfeiture requirements using the most favorable guarantees. Campbell continued to state that the NAIC's *Universal Life Insurance Model Regulation* (#585) requirements have been reviewed, and she felt the actuary should be testing each set of guarantees. However, Campbell noted that without additional formal guidance from the Task Force, the Compact would approve products that did not demonstrate compliance with each guarantee.

Brian Lessing (American Academy of Actuaries—Academy) stated that the Academy was concerned about the challenges of requiring each guarantee to be tested for compliance with the *Standard Nonforfeiture Law for Life Insurance* (#808) since it does not specify what to do in the case of multiple guarantees. Lessing stated that the demonstration should be allowed to be done using a safe harbor approach. Brian Bayerle (American Council of Life Insurers—ACLI) supported this approach and stated the approach should: 1) address regulators' concerns; 2) be consistent with Model #585 requirements; and 3) be consistent with Model #808 requirements. Ann Delaney (John Hancock) noted support for the safe harbor method and said that a requirement to test all guarantees could have a large impact on the availability of products in the marketplace.

Hemphill stated that some Task Force members were uncomfortable with adding an effective date for these requirements since it could conflict with NAIC model regulations. Hemphill added that members of the Task Force have been considering the issues that come with adding the safe harbor. Yanacheak said he did not feel the need to come up with a safe harbor.

Slutsker made a motion, seconded by Chupp, to adopt APF 2024-16 (Attachment A) without the effective date included.

During discussion of the motion, Serbinowski said he does not believe the *Valuation Manual* (VM) is the correct place for this amendment but agreed with not having an effective date. Bayerle stated that ACLI thinks the inclusion of an effective date is preferable since companies that are already selling the products could need to refile.

The motion passed unanimously.

2. Adopted APF 2025-07

Hemphill introduced APF 2025-07, which will remove references to the VM-21, Requirements for Principle-Based Reserves for Variable Annuities, company-specific market path (CSMP) methodology for the additional standard projection amount (ASPA).

Chupp made a motion, seconded by Yanacheak, to adopt APF 2025-07 (Attachment B). The motion passed unanimously.

3. Exposed APF 2025-08

Richard introduced APF 2025-08, which revises the identification section of the Life Actuarial Opinion to handle appointed actuaries who are employed by one company within an insurance group and who sign opinions on behalf of other companies within the group.

Serbinowski made a motion, seconded by Yanacheak, to expose APF 2025-08 for a 21-day public comment period ending May 28. The motion passed unanimously.

4. Exposed of APF 2025-09

Hemphill introduced APF 2025-09, which clarifies requirements for adequately reserved expense risk in reinsurance.

Yanacheak made a motion, seconded by Cheung, to expose APF 2025-09 for a 21-day public comment period ending May 28. The motion passed unanimously.

5. Exposed APF 2025-10

Hemphill introduced APF 2025-10, which revises the reinvestment guardrail to have a minimum quality rather than a prescribed quality. Chupp suggested referring to a “minimum credit quality” rather than specifying a certain credit rating “or higher” for clarity.

Slutsker made a motion, seconded by Chupp, to expose APF 2025-10, with Chupp’s suggested revisions for a 21-day public comment period ending May 28.

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

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Draft: 7/9/25

Life Actuarial (A) Task Force  
Virtual Meeting  
May 1, 2025

The Life Actuarial (A) Task Force met May 1, 2025. 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); Mark Fowler represented by Sanjeev Chaudhuri (AL); Ricardo Lara represented by Ahmad Kamil, Thomas Reedy, and Elaine Lam (CA); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak and Kevin Clark (IA); Ann Gillespie represented by Matt Cheung (IL); Holly W. Lambert represented by Scott Shover (IN); Vicki Schmidt represented by Nicole Boyd (KS); Marie Grant represented by Nour Benchaaboun (MD); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Angela L. Nelson represented by William Leung (MO); Eric Dunning represented by Michael Muldoon (NE); Justin Zimmerman represented by Seong-min Eom (NJ); Adrienne A. Harris represented by William B. Carmello (NY); Judith L. French represented by Peter Weber (OH); Glen Mulready represented by Andy Schallhorn (OK); Andrew R. Stolfi represented by Tashia Sizemore (OR); Michael Humphreys represented by Steve Boston (PA); and Jon Pike represented by Tomasz Serbinowski (UT).

1. Discussed Comments on Asset Adequacy for Reinsurance Actuarial Guideline Draft

Andersen began walking through a presentation (Attachment A) that proposed suggested edits to the Asset Adequacy for Reinsurance Actuarial Guideline (AG ReAAT) draft based on comments from interested parties. Regarding the level of aggregation in the analysis and presentation of the results, Hemphill supported maintaining consistency with the level of aggregation that is required according to principle-based reserving (PBR). Marc Altschull (American Council of Life Insurers—ACLI) noted that it was the ACLI's position that aggregation should be allowed up to the counterparty level across lines of business, as that level of aggregation reflects diversification and recapture benefits. Clark noted that offsetting risks from multiple lines of business could not be taken into account for retained business and that, therefore, the level of aggregation for the ceded business should be consistent with the retained business. Andersen asked if any Task Force members objected to maintaining the current language that kept the level of aggregation consistent with retained business. No Task Force members objected.

Andersen then introduced the topic of the level of starting assets to use in the analysis. Douglas Brown (CL Life and Annuity Insurance Company) stated that modified coinsurance (modco) with funds withheld treaties should be treated differently, given that the ceding company retains the assets backing the full reserves. Clark said that for those types of treaties, if no additional amount is held beyond the reserves that are targeting a moderately adverse level, they were still treaties that should be included in the scope of the actuarial guideline. After a discussion, no Task Force member objected to maintaining the existing AG ReAAT draft language that did not contain special provisions for modco with funds withheld treaties.

Andersen continued by introducing the topic of attribution analysis, noting that he hoped it would help state insurance regulators understand any significant changes to the level of aggregate reserves held by the ceding company and the assuming company after a reinsurance transaction. Andersen said that, given the additional work required by the AG ReAAT draft, the language was revised to not require attribution analysis in all situations, but he noted that it is "preferred" when not required. Altschull noted that the ACLI has submitted a proposal for an attribution analysis template that could be used for reporting. Andersen replied that the templates could be discussed by the Task Force and subsequently adopted after the adoption of AG ReAAT.

Andersen moved to the topic of whether non-primary securities would be allowed to be included in the starting assets. Andersen said the AG ReAAT is disclosure only, and that an alternative run is included to allow companies to include their own view of starting assets, which could include non-primary securities. Yanacheak supported the idea that the alternative run could be utilized to allow companies to tell their own story with regard to their asset investment strategy. Brown said that he was worried that this provision would lead to additional work where it is unnecessary for companies that invest in non-primary securities that are otherwise admitted. After Clark questioned what assets were non-admitted and considered primary securities, Brown said that Schedule BA assets could be utilized for retained business but were not considered primary securities. Greg Mitchell (Cayman International Reinsurance Companies Association—CIRCA) suggested using the definition of admitted assets in AG ReAAT that is based on the domiciliary regulatory requirements, which Altschull supported. After additional discussion, Andersen said that more research or a potential exposure question would be needed to look into how Schedule BA assets align with the primary security definition.

Andersen then discussed additional refinements that had been made to the scope section of AG ReAAT, noting that the current draft would scope in some older treaties but allow them to be exempted in certain circumstances. Peter Gould (Retired Consumer) said that if one of the potentially out-of-scope treaties was supporting his annuity contract, he would be concerned that he is not fully protected. Andersen replied that by default, these older treaties would be in scope, but that the domestic regulator would have the ability to consider scoping out these treaties. Mitchell noted concerns that a new reinsurance organization writing their first treaty in 2025 would not be able to obtain an exemption, even if that treaty was an immaterial amount of their business as of early 2026. Andersen said that the language in a guidance note could be added to account for this potential situation.

Andersen continued with introducing the issue of whether AG ReAAT should consider deficient values in the interim of the cash flow projection. Altschull suggested removing any reference to interim deficient values in the cash flow projection requirements, but a section could be added asking the appointed actuary to comment on any deficient interim values. Tricia Matson (Risk Regulatory Consulting—RRC) said that for the treaties that the AG ReAAT is focused on, they are often designed to have deficient interim negatives in the first years of the treaty. Matson suggested having the AG ReAAT look at cash flow shortfalls rather than using a balance sheet perspective. Andersen suggested a balanced approach to revising AG ReAAT language while not removing references to deficient interim values.

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

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Draft: 6/16/25

Life Actuarial (A) Task Force  
Virtual Meeting  
April 24, 2025

The Life Actuarial (A) Task Force met April 24, 2025. 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); Mark Fowler represented by Sanjeev Chaudhuri (AL); Ricardo Lara represented by Ahmad Kamil, Thomas Reedy, and Elaine Lam (CA); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Ann Gillespie represented by Matt Cheung (IL); Holly W. Lambert represented by Scott Shover (IN); Vicki Schmidt represented by Nicole Boyd (KS); Marie Grant represented by Nour Bouchaaboun (MD); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Angela L. Nelson represented by William Leung (MO); Eric Dunning represented by Michael Muldoon (NE); Justin Zimmerman represented by Seong-min Eom (NJ); Scott Kipper represented by Maile Campbell (NV); Adrienne A. Harris represented by William B. Carmello (NY); Judith L. French represented by Peter Weber (OH); Glen Mulready represented by Andy Schallhorn (OK); Andrew R. Stolfi represented by Tashia Sizemore (OR); Michael Humphreys represented by Steve Boston (PA); and Jon Pike represented by Tomasz Serbinowski (UT).

1. Adopted its Spring National Meeting Minutes

Chupp noted several corrections to the Task Force's Spring National Meeting Minutes.

Leung made a motion, seconded by Yanacheak, to adopt the Task Force's March 22–23, 2025, minutes with the changes proposed by Chupp (*see NAIC Proceedings – Spring 2025, Life Actuarial (A) Task Force*). The motion passed unanimously.

2. Exposed APF 2025-05

Hemphill introduced amendment proposal form (APF) 2025-05, which provides clearer definitions for what constitutes “contractually guaranteed” revenue sharing income in *Valuation Manual* (VM)-20, Requirements for Principle-Based Reserves for Life Insurance, and VM-21, Requirements for Principle-Based Reserves for Variable Annuities. Brian Bayerle (American Council of Life Insurers—ACLI) spoke to the ACLI's comment letter, noting concerns that it could eliminate some types of guaranteed revenue-sharing arrangements. Bayerle asked state insurance regulators: 1) to provide some examples of revenue-sharing agreements that regulators have concerns with, along with others that regulators feel comfortable with and 2) to reconsider the current guardrail on maximum revenue sharing as part of the drafting of APF 2025-05. Bayerle concluded by stating that additional time to review the examples and refine APF 2025-05 could also give companies time to reorganize existing arrangements to better address state insurance regulators' concerns.

Hemphill noted the challenges of regulators providing examples given the confidentiality of the principle-based reserve (PBR) actuarial reports and asked that the ACLI provide examples of different types of revenue-sharing arrangements. Hemphill suggested that a re-exposure with sufficient time could allow companies to provide examples and share more of their concerns about adverse impacts on some revenue-sharing agreements.

Slutsker made a motion, seconded by Lam, to re-expose APF 2025-05 for an 80-day public comment period ending July 14. The motion passed unanimously.

### 3. Exposed Life Knowledge Statements

Hemphill walked through the updates that had been made to the Life Knowledge Statements. Donna Megregian (American Academy of Actuaries—Academy) asked whether the Life Knowledge Statements would be included in the *Valuation Manual*. Hemphill responded that the Life Knowledge Statements would be posted on the NAIC's PBR webpage. Megregian then asked if there were any gaps between the Life Knowledge Statements and what the Society of Actuaries (SOA) is proposing for its revised curriculum. Ann Weber (SOA) said that regulators were reviewing the SOA curriculum and providing feedback regarding any gaps.

Hemphill re-exposed the Life Knowledge Statements for a 30-day public comment period ending May 26.

### 4. Adopted APF 2025-02

Hemphill introduced APF 2025-02 and noted that it had been previously exposed with three different options for rounding valuation rates in VM-20 and nonforfeiture rates in VM-02, Minimum Nonforfeiture Mortality and Interest. Benchaaboun spoke to his comment letter, stating that he supported rounding down to result in a higher cash value for consumers in VM-20, Sections 3C(2)a and 3C(2)b, along with VM-02, Section 3A. Hemphill noted that it was not one of the previously exposed options and that edits would have to be re-exposed prior to adoption. Benchaaboun made a motion to re-expose APF 2025-02. Asking for additional discussion, Hemphill asked Benchaaboun to withdraw the motion, to which Benchaaboun agreed.

After Hemphill provided additional background on how frequently rounding comes into play in the respective *Valuation Manual* sections, Boston made a motion, seconded by Chupp, to adopt APF 2025-02 (Attachment A) with rounding up in VM-02, Section 3A, rounding down in VM-20 Section 3C(2)a, and rounding up in VM-20, Section 3C(2)b. During the discussion of the motion, Leung objected to the rounding rules being inconsistent in different sections of the *Valuation Manual*. Hemphill asked Scott O'Neal (NAIC) to perform a roll call vote to determine if the Task Force supported the motion or preferred an alternative. The motion passed with Leung and Muldoon voting against the motion and Cheung, Benchaaboun, Campbell, Carmello, and Sizemore abstaining.

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

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Draft: 4/29/25

Statutory Accounting Principles (E) Working Group  
and the Life Actuarial (A) Task Force  
Virtual Meeting  
April 10, 2025

The Statutory Accounting Principles (E) Working Group of the Accounting Practices and Procedures (E) Task Force met April 10, 2025, in joint session with the Life Actuarial (A) Task Force. The following Working Group members participated: Dale Bruggeman, Chair (OH); Kevin Clark, Vice Chair (IA); Richard Russell (AL); Kim Hudson (CA); Michael Estabrook (CT); Rylynn Brown (DE); Cindy Andersen (IL); Shantell Taylor (LA); Steve Mayhew and Kristin Hynes (MI); Doug Bartlett (NH); Bob Kasinow (NY); Diana Sherman and Dave Yanick (PA); Jamie Walker (TX); Doug Stolte and Jennifer Blizzard (VA); and Levi Olson (WI).

The following Life Actuarial (A) 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); Mark Fowler represented by Sanjeev Chaudhuri (AL); Ricardo Lara represented by Ahmad Kamil (CA); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Ann Gillespie represented by Matt Cheung (IL); Holly W. Lambert represented by Scott Shover (IN); Vicki Schmidt represented by Nicole Boyd (KS); Marie Grant represented by Nour Benchaaboun (MD); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Angela L. Nelson represented by William Leung (MO); Eric Dunning represented by Michael Muldoon (NE); Justin Zimmerman represented by Seong-min Eom (NJ); Scott Kipper represented by Maile Campbell (NV); Adrienne A. Harris represented by William B. Carmello and Amanda Fenwick (NY); Judith L. French represented by Peter Weber (OH); Andrew R. Stolfi represented by Tashia Sizemore (OR); Michael Humphreys represented by Steve Boston and Dave Yanick (PA); and Jon Pike represented by Tomasz Serbinowski (UT).

1. Discussed Agenda Items 2024-05 and 2024-06

Bruggeman called on Hemphill to provide an overview of the Valuation Analysis (E) Working Group referrals. Hemphill stated that the Valuation Analysis (E) Working Group met throughout 2023 to discuss risk transfer analysis issues arising for treaties that involved cessions both on a coinsurance basis and a yearly renewable term (YRT) basis, with interdependent features, such as an inability to independently recapture or a combined experience refund. She stated that several regulators shared perspectives from past reviews of specific transactions. The Valuation Analysis (E) Working Group also requested that certain reinsurers provide their perspective and engage in a question-and-answer (Q&A) session while the issues were considered.

Hemphill stated that as a result of the Valuation Analysis (E) Working Group's meetings throughout 2023, a referral was sent to the Statutory Accounting Principles (E) Working Group in December 2023 with the consensus of the Valuation Analysis (E) Working Group after the 2023 discussions, and a request for the Statutory Accounting Principles (E) Working Group to consider targeted revisions to address the observed issues.

Hemphill stated that regarding agenda item 2024-05, as part of the review process, the Valuation Analysis (E) Working Group observed that an aside statement in the *Accounting Practices and Procedures Manual*, Appendix A-791—Life and Health Reinsurance Agreements (A-791), the Q&A on group life was, in some cases, being misconstrued as a safe harbor for individual life YRT premium rates. She noted that for both principle-based reserving (PBR) and pre-PBR business, such a safe harbor could result in the deprivation of surplus. The Valuation Analysis (E) Working Group recommended removing the aside.

Hemphill stated that regarding agenda item 2024-06, the Valuation Analysis (E) Working Group had observed instances of a bifurcated risk transfer analysis being performed for these interdependent, combined coinsurance/YRT treaties. She stated this led to an overstated reserve credit, as a proportionate reserve credit was being taken for the coinsurance piece, while it was observed that in its entirety, the treaty only transferred tail risk. In response, the Statutory Accounting Principles (E) Working Group proposed edits clarifying that risk transfer must be evaluated in the aggregate for interdependent sessions.

Hemphill stated that during discussions in early 2024, the American Council of Life Insurers (ACLI) requested that these edits not be rushed, which at that time was generally agreeable, as the edits primarily act as clarifying edits and the primary need from a Valuation Analysis (E) Working Group perspective is awareness on the part of regulators of the greater complexity and additional analysis required when reviewing risk transfer for these interdependent, combined coinsurance/YRT treaties. Hemphill stated that she believes regulator awareness is the primary concern here, and clarifying edits will be helpful. She noted that she generally supported the drafts from Statutory Accounting Principles (E) Working Group staff as responsive to the issues presented by the Valuation Analysis (E) Working Group.

Hemphill stated that the Statutory Accounting Principles (E) Working Group has now had items 2024-05 and 2024-06 pending since their exposure over a year ago at the 2024 Spring National Meeting. There have been regulator-only presentations during that time, and part of today's meeting is to ensure key materials, such as examples previously presented by the ACLI, are available for public discussion. She stated that another goal of today's meeting is to begin a detailed public discussion to work through any remaining issues on the draft for 2024-06. There appears to be general consensus on 2024-05, but the ACLI had previously requested that agenda items 2024-05 and 2024-06 be considered in tandem.

## 2. Heard a Presentation from the ACLI on Statutory Risk Transfer Considerations

Jeremy Starr (ACLI consulting representative) provided a presentation (Attachment 1) on statutory risk transfer considerations relating to combination coinsurance and YRT reinsurance agreements. This presentation attached an October 2024 presentation with single-year examples and additional multi-period examples. This presentation focused on addressing the A-791 requirement regarding no surplus deprivation. The ACLI recommended that the YRT premiums that are set equal to the valuation mortality should not result in surplus deprivation to the ceding entity. He stated that the examples demonstrate that if a reinsurance agreement in aggregate passes risk transfer requirements, including that it does not deprive a cedant of surplus, it should be accorded reinsurance accounting treatment. Starr stated that a key tenet of the ACLI's position on combined coinsurance and YRT agreements is the standard by which an agreement should be judged as to whether risk has been transferred. He stated that the ACLI's position is centered on current statutory guidance on reinsurance, which allows for an independent review of each component of the coinsurance and YRT for risk transfer and then requires that the reinsurance agreement in aggregate does not deprive the cedent of surplus. It also includes the agreement complying with other regulatory requirements relating to such items as recapture and experience refunds, among others. He stated that a reinsurance agreement deprives the reinsurer of surplus when payments are made from surplus rather than the experience of the ceded business. Starr stated that the ACLI believes that to determine risk transfer, you need to review the terms of the agreement and not look at only its form. He stated that a potential way to assess deprivation of surplus is via a model demonstrating that net gain after reinsurance is positive for all durations. He stated that agreements should pass risk transfer based on whether treaties have YRT rates calculated based on the lowest mortality rates used in calculating the reserves.

Clark, Hemphill, and John Di Meo (Hannover Life Reassurance Company of America—Hannover Re) discussed various items the Working Group would like to see in the next round of examples, including an example where the coinsured block incurs a loss, as the concern is that the YRT premiums offset coinsurance losses in a way that

could result in a deprivation of surplus. They also stated that regulators want to see the presentation data in an Excel spreadsheet.

### 3. Heard a Presentation on Combined Coinsurance Funds Withheld YRT Agreements

Hemphill gave a presentation (Attachment 2) on combined coinsurance funds withheld YRT agreements, highlighting concerns regarding risk transfer on some contracts when there are interdependent features, such as the inability to independently recapture and an aggregate experience refund. She noted requirements in *Statement of Statutory Accounting Principles (SSAP) No. 61—Life, Deposit-Type and Accident and Health Reinsurance*, that reinsurance credit should not be given if the terms limit or diminish the transfer of risk, and in A-791 that surplus relief should not be temporary. She highlighted concerns that a bifurcated risk transfer analysis does not reflect the economics of the interdependent contract.

Hemphill highlighted that companies presented that YRT premiums were automatically acceptable if they were based on the valuation mortality. The Valuation Analysis (E) Working Group identified that an aside statement was being misinterpreted as a YRT safe harbor. She provided a simple example of how such a safe harbor could still result in a deprivation of surplus. This resulted in the referral which led to agenda item 2024-05.

Hemphill stated that risk transfer requirements differ depending on the type of treaty. Proportional (e.g., coinsurance), YRT, and non-proportional (e.g., excess of loss) treaties each have unique standards for statutory reporting. She stated that regulators have challenged a bifurcated approach (analyzing coinsurance and YRT separately), as it overlooks their interdependence. This commingling of economics creates risk transfer concerns. A-791 notes that YRT is not a concern if it only provides incidental reserve credits without surplus enhancement. She noted that risk transfer issues arise when there is significant surplus enhancement for interdependent coinsurance funds withheld and YRT treaties, as it raises the issue of the YRT functioning to enable or subsidize the coinsurance cession. She stated that, for interdependent coinsurance funds withheld and YRT treaties to meet risk transfer standards, the YRT cession and premiums must not act to support or enable the coinsurance cession. If YRT creates high reserve credits or significant surplus relief, it fails to qualify as true YRT under A-791, which must only provide “incidental reserve credits for the ceding insurer’s net amount at risk for the year with no other allowance to enhance surplus,” and cannot be exempt from its requirements. She stated that this highlights the importance of qualitative evaluations alongside quantitative analyses and that, while examples may demonstrate outcomes, principle-based assessments are crucial for identifying whether the transaction meets risk transfer requirements. She stated that misinterpretation of a “YRT safe harbor” is another concern. The notion that YRT premiums, if aligned with prescribed Commissioners’ Standard Ordinary (CSO) Tables or valuation mortality rates, automatically validate the agreement is incorrect. She stated that simplified examples, such as a 10-year level term policy with no deficiency reserves and flat mortality, where the reinsurance premium exceeds the gross premium, illustrate that even when YRT premiums align with valuation mortality rates, they can still lead to surplus deprivation. She stated that this undermines the safe harbor concept and so any analysis depending on a comparison of the YRT premiums to valuation mortality fails to address combined YRT and coinsurance transaction risk transfer issues. She stated that, ultimately, YRT must not subsidize or support coinsurance since, without this independence, such agreements fail risk transfer evaluations.

Bruggeman stated that earlier he asked about a situation where a direct writing company (i.e., cedant) knows a block of whole life business will not generate future profits. To mitigate losses, they might pay a reinsurer to take the business. If an immediate payment occurs, the cession happens, the reserve reduction disappears, and any future gains or losses transfer to the reinsurer, eliminating them for the cedant. He stated that reinsurers will not take on this business out of goodwill—they expect compensation. Compensation could be cash paid upfront or, in some cases, financed by YRT premiums from another block of profitable business. This financing aspect raises concerns. Bruggeman asked whether what was being addressed was the issue of YRT premiums on a separate

profitable block being used to subsidize the transfer of an unprofitable block. He stated that if future losses are anticipated, someone must bear the cost, and the cedant would need to pay something to halt those losses. Bruggeman asked whether the payment is made upfront in cash or financed through expected future profits from a different block. He questioned whether either of these approaches raises concerns from a risk transfer perspective.

Hemphill stated that paying upfront is a separate issue, but the concern arises when a profitable YRT block is used to pay for the coinsurance cession. In this case, the coinsurance terms cannot independently stand on their own, which aligns with ACLI stance that the coinsurance piece must stand on its own. If the reinsurer would not accept the coinsurance cession without the YRT, this raises the question of whether the YRT is really exempt from any part of A-791 since it is providing more than incidental surplus relief.

Bruggeman stated that trying to finance a coinsurance cession using another block, such as a profitable YRT block, does not constitute true risk transfer when assessed in aggregate. Financing through another block essentially uses profits from elsewhere, which could result in a deprivation of surplus. For example, a high YRT premium acts as a buffer on the experience for both blocks, enabling this arrangement and undermining risk transfer. If future coinsurance losses are being covered by inflating YRT premiums, this fails to meet risk transfer requirements. He stated that Hemphill's point aligns with this. Each component, coinsurance and YRT, must demonstrate risk transfer individually and in combination. Even if the combination seems to satisfy risk transfer requirements, the individual pieces must stand on their own. He stated that you cannot rely on one to support the other. This complexity makes drafting clear guidelines challenging. Every time wording is proposed, new scenarios arise that could violate A-791, which is why this discussion is necessary. He stated that any guidance must remain consistent with A-791. Adding new wording risks creating scenarios that inadvertently conflict with its core principles. Ultimately, when evaluating transactions, it is important to avoid violating A-791, including surplus deprivation or requiring payments to the reinsurer that undermine compliance. Regulators often need to step in to address cases where requirements are misunderstood or unmet. The Valuation Analysis (E) Working Group has worked hard to clarify these points, but creating universally applicable examples remains challenging without delving into company-specific cases.

Starr stated that coinsurance must stand independently. He said its terms should not rely on a YRT agreement to function, as Hemphill pointed out. While there may be situations where combined analysis shows coinsurance performing well while YRT underperforms, or vice versa, the critical point is that each component must stand alone. Together, in combination, they must ensure there is no surplus deprivation. He stated that they are focused on the minimum reserve, not necessarily the CSO table reserve, when calculating, and that while their language has not always been as precise as it could be, Hemphill's example clarified that in such cases, the YRT premium should be three, not six, due to the one-half X factors.

Hemphill stated that in prior discussions, the complexity of evaluating both PBR and pre-PBR business was emphasized. For PBR, they understood that the valuation mortality could change over time, which added to the complexity. However, it is now clear that straight valuation mortality is not suitable for pre-PBR business either. Even when using the lowest valuation mortality, this is not a fixed threshold; it can change over time as X factors are reevaluated and potentially updated by the company. As a result, a safe harbor still cannot be established, even when considering the lower valuation mortality.

Di Meo stated that Hemphill articulated it well in her presentation that there should not be payments for amounts where the cedant has established no liability. He stated that, conceptually, parties appear to agree on this standard and applies in these unique scenarios, such as when using X factors on term business or secondary guarantees. He stated that he is encouraged by the progress made over the past weeks. This example and the discussions have helped all involved move forward and find common ground.

Clark stated that the key area of difference between the regulatory and industry conversations is fairly narrow, and all agree that both components of reinsurance must be evaluated separately for risk transfer and also analyzed together to ensure there is no potential for surplus deprivation. He stated that the disagreement lies in the industry proposal to include a statement in the standard suggesting that, as long as YRT premiums do not exceed the minimum valuation mortality, surplus deprivation is essentially impossible. He stated that Hemphill's examples have effectively demonstrated that this is not always true, highlighting the limitation of such a statement. So, while there is alignment on the principle of evaluating both components separately and together, and ensuring no surplus deprivation occurs, the challenge is that there is no single, universally applicable "safe harbor" statement that holds true in all scenarios. He stated that he is unsure where the ACLI or the industry currently stands on this point, given the discussions. However, the language proposed that reinsurance should be evaluated both separately and in aggregate is about as good as can reasonably be achieved.

Di Meo stated that they can bring additional clarity to this and that they all agree on the proposed language regarding assessing transactions together and the conclusion that these transactions may not meet the required standards. He said he thinks there is room to refine the approach further. He stated that it is his understanding that the market is effectively shut down because these transactions are deemed non-compliant and unapproved. Unless this is the regulator's intent, he proposed that the parties involved continue collaborating to develop language that clearly defines a place for these transactions in a prudent and appropriate way. He stated that this is a complex issue, and while there is no silver bullet safe harbor language, that does not mean that language allowing the industry to move forward with these types of transactions cannot be drafted. He stated that many of these have been in place for years and have served cedants and the industry well, and that the goal is to preserve and support those benefits while addressing compliance concerns effectively.

Bruggeman stated that he has been working on wording that combines the best elements of the initial exposure draft and the ACLI's comments, but he wanted to wait for this discussion to finalize it. He stated his goal is to act as a bridge to find common ground. He asked whether industry, or the ACLI specifically, could propose adjustments to their original suggestions for paragraph 18 after hearing these discussions. He said that all would benefit from seeing those changes. He stated that he would revisit the wording he has been working on, with input from Hemphill and others, to see if a balanced approach that avoids missing anything critical in A-791 can be achieved. He stated that, ultimately, they need a solution that makes sense for both perspectives and that if industry can provide updated suggestions, they can collaborate further with NAIC staff and the ACLI to refine the language. He stated that, until then, it seems these transactions are effectively on hold and that if the industry truly needs this, it may require a broader policy decision.

Di Meo stated that the insights gained from these conversations have been invaluable in addressing potential gaps and understanding the concerns and sensitivities expressed. He said the ongoing discussions and examples shared with regulators have been particularly eye-opening.

Bruggeman stated that the wording is crucial, but there is also flexibility in how it is presented. For example, a new paragraph, as proposed; or provide more detailed explanations in a Q&A format; or even combine both approaches. He stated that he is not in favor of using an interpretation, which the Statutory Accounting Principles (E) Working Group occasionally does. He stated that, instead, incorporating changes into a new paragraph 18 in SSAP No. 61 or expanding the A-791 Q&A seems like a more practical approach. He stated that, as Hemphill pointed out, many of these issues require a qualitative rather than purely quantitative evaluation. It is about recognizing when something does not seem right, when something raises yellow or even red flags. This approach can help ensure they address the nuances effectively.

Having no further business, the joint meeting of the Statutory Accounting Principles (E) Working Group and Life Actuarial (A) Task Force adjourned.

SharePoint/NAIC Support Staff Hub/Committees/ ...

Draft: 5/20/25

Life Actuarial (A) Task Force  
and the Life Risk-Based Capital (E) Working Group  
Virtual Meeting  
April 9, 2025

The Life Actuarial (A) Task Force met April 9, 2025, in joint session with the Life Risk-Based Capital (E) Working Group. The following Task Force members participated: Cassie Brown, Chair, represented by Rachel Hemphill (TX); Lori K. Wing-Heier represented by Sharon Comstock (AK); Mark Fowler represented by Sanjeev Chadhuri (AL); 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); Ann Gillespie represented by Matt Cheung (IL); Holly W. Lambert represented by Scott Shover (IN); Vicki Schmidt represented by Nicole Boyd (KS); Marie Grant represented by Nour Benchaaboun (MD); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Angela L. Nelson represented by William Leung (MO); Justin Zimmerman represented by Seong-min Eom (NJ); Adrienne A. Harris represented by William B. Carmello (NY); Judith L. French represented by Peter Weber (OH); Andrew R. Stolfi represented by Tashia Sizemore (OR); Michael Humphreys represented by Steve Boston (PA); and Jon Pike represented by Tomasz Serbinowski (UT). The following Working Group members participated: Philip Barlow, Chair (DC); Ben Slutsker, Vice Chair (MN); Sanjeev Chaudhuri (AL); Thomas Reedy (CA); Wanchin Chou (CT); Mike Yanacheak (IA); Matt Cheung (IL); William Leung (MO); Jennifer Li (NH); Seong-min Eom (NJ); William B. Carmello (NY); Rachel Hemphill (TX); and Tomasz Serbinowski (UT).

1. Exposed APF 2025-04

Hemphill introduced amendment proposal form (APF) 2025-04 that will effectuate the generator of economic scenarios (GOES) in the *Valuation Manual* (VM), noting that it had previously been exposed for public comment at the GOES (E/A) Subgroup level. Hemphill said that phase-in language had been added at the suggestion of the American Council of Life Insurers (ACLI) since the first draft to allow for the financial impact of the GOES to be amortized over time. Brian Bayerle (ACLI) noted appreciation for the inclusion of the phase-in language and noted that some additional refinement may be necessary during the next exposure period. Robin Marcotte (NAIC) stated that generally, statutory accounting requires complex phase-ins to have additional disclosures. Cheung asked how the phase-in would affect risk-based capital (RBC) amounts, noting that a lower reserve resulting from a phase-in could lead to a higher capital amount. Bayerle replied that this would not be an issue for businesses subject to VM-20, Requirements for Principle-Based Reserves for Life Insurance, but would need to be considered carefully when RBC instructions change to effectuate that the GOES are drafted for businesses subject to VM-21, Requirements for Principle-Based Reserves for Variable Annuities.

Yanacheak made a motion, seconded by Weber, to expose APF 2025-05 for a 21-day public comment period ending April 29. The motion passed unanimously.

2. Discussed VM-20 DR Scenario Methodology

Bayerle and Jeffrey Miklas (Northwestern Mutual) walked through a presentation (Attachment One-A) detailing the ACLI's proposal for a revised VM-20 deterministic reserve (DR) scenario. Following the ACLI's presentation, Dan Finn (Conning Asset Management) delivered a presentation (Attachment One-B) on its review of the ACLI's proposal. Hemphill asked if any Task Force or Working Group members objected to moving forward with the ACLI's proposed DR scenario methodology. Slutsker noted support for the ACLI's proposal, and no other Task Force or Working Group members objected.

### 3. Discussed the GOES Model Governance Framework

Scott O'Neal (NAIC) presented a series of key GOES model governance topics (Attachment One-C) to get feedback from the Task Force and Working Group. Regarding the fallback plan, if scenarios were unable to be published on the first of the month, Barlow asked how easy it would be for companies to adjust previous month-end scenarios for use as of the current valuation date. Randall McCumber (Lincoln Financial Group) noted that the biggest adjustments would likely be to the starting Treasury yield curve and that those adjustments would likely need to be graded off over time, but that it could be a feasible approach. Connie Tang (Retired) replied that there would still be differences in the projected scenarios resulting from differences in the shape and level of the starting Treasury yield curve.

Cheung asked whether companies that license the Conning software would be able to generate the scenarios themselves in the event that Conning is unable. O'Neal confirmed and said that in certain circumstances, if Conning's infrastructure were down, companies that license the software would still be able to generate the scenarios themselves. O'Neal said that the NAIC licenses the Conning software and is considering whether it could use the software to provide scenarios in the event that Conning is unable. Tang noted that business disruption events could likely be categorized, with different resolutions for different categories of issues. O'Neal responded that he would incorporate that feedback into the next draft of the GOES Model Governance Framework.

Hemphill asked if there was any objection to directing NAIC staff to revise the draft GOES Model Governance Framework. Hearing none, NAIC staff were directed to revise the GOES Model Governance Framework.

Having no further business, the Life Actuarial (A) Task Force and Life Risk-Based Capital (E) Working Group adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/A CMTE/LATF/2025-2-Summer/LATF Calls/04 09/Apr 09 Minutes.docx



Draft: 5/15/25

Life Actuarial (A) Task Force  
Virtual Meeting  
April 3, 2025

The Life Actuarial (A) Task Force met April 3, 2025. 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); 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); Ann Gillespie represented by Matt Cheung (IL); Holly W. Lambert represented by Scott Shover (IN); Vicki Schmidt represented by Nicole Boyd (KS); Marie Grant represented by Nour Benchaaboun (MD); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Angela L. Nelson represented by William Leung (MO); Eric Dunning represented by Michael Muldoon (NE); Adrienne A. Harris represented by William B. Carmello (NY); Judith L. French represented by Peter Weber (OH); Glen Mulready represented by Andy Schallhorn (OK); Andrew R. Stolfi represented by Tashia Sizemore (OR); Michael Humphreys represented by Steve Boston (PA); and Jon Pike represented by Tomasz Serbinowski (UT).

1. Made a Referral to the VM-22 (A) Subgroup on SPA Disclosures

Hemphill walked through a referral document (Attachment A) that provided guidance to the Valuation Manual (VM)-22 (A) Subgroup regarding additional requirements that are necessary, given that: 1) the Subgroup elected to pursue a disclosure-only approach for the standard projection amount (SPA); and 2) the Subgroup members had also expressed certain conditions, including much more detailed disclosures, as necessary if a disclosure-only approach were pursued. Cheung said that additional discussions were needed at the VM-22 (A) Subgroup to discuss how SPA amounts would be reported in the NAIC annual statement under different situations. Slutsker said he supported the referral and highlighted the guidance that would require additional documentation demonstrating that the company deviation is based on credible company-specific data when an ASPA would have been indicated but the company has not strengthened the assumptions for the SR. After asking if any Task Force member objected to making the referral to the VM-22 (A) Subgroup and there being no objections, Hemphill said that the Task Force will move forward with providing the referral to the VM-22 (A) Subgroup.

2. Re-Exposed APF 2025-02

Rhonda Ahrens (Thrivent) introduced amendment proposal form (APF) 2025-02, which would clarify rounding rules for values exactly between two quarters of 1% for the *Valuation Manual* valuation and nonforfeiture rate calculations. Ahrens noted that the following three options had been drafted into both VM-20, Requirements for Principle-Based Reserves for Life Insurance, Section 3.C.2.a and Section 3.C.2.b. for Task Force consideration: 1) rounding lower; 2) rounding higher; and 3) basing the direction of rounding on the trend in interest rates. Carmello asked whether you could just include more decimals instead of rounding. Brian Bayerle (American Council of Life Insurers—ACLI) said that including more decimal places would lead to issues with the nonforfeiture rate, to which Benchaaboun agreed.

Boston noted a concern that changes made to the *Valuation Manual* valuation rates for the VM-20 net premium reserve (NPR) would not impact policies exempted from principle-based reserves, causing a disconnect. Ahrens noted that the change was being made due to a lack of guidance in both the *Valuation Manual* and model laws, so changes made should not negatively impact business being valued solely based on the model law. Boston asked how likely this type of rounding would come into play. Hemphill replied that the rounding happens relatively

frequently in the VM-20 Section 3.C.2.b calculation, as it applies a 125% factor to a rate that has already been rounded to the nearest quarter of 1%.

Muldoon made a motion, seconded by Serbinowski, to re-expose APF 2025-02 for a 14-day public comment period ending April 16. The motion passed unanimously.

3. Exposed APF 2025-07

Ethan Rein (Jackson National Life Insurance Company) introduced APF 2025-05, which removes company-specific market path (CSMP) language from VM-21, Requirements for Principle-Based Reserves for Variable Annuities.

Leung made a motion, seconded by Chupp, to expose APF 2025-05 for a 28-day public comment period ending April 30. The motion passed unanimously.

4. Exposed APF 2025-06

Hemphill introduced APF 2025-06, which updates the *Valuation Manual* definitions of qualified actuary and appointed actuary to refer to the knowledge statements the Task Force adopted.

Leung made a motion, seconded by Benchaboun, to expose APF 2025-06 for a 21-day public comment period ending April 23. The motion passed unanimously.

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

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August 9, 2025

**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 last meeting of the Experience Reporting (A) Subgroup was on December 16, 2024. At that time the Subgroup appointed a drafting group to continue work on (APF)-2024-12 which would require mandatory reporting of group annuity/pension risk transfer business. The drafting group met regularly and has developed a survey which has been sent out to companies with group annuity business.

This survey is intended to serve several purposes:

1. To gain an understanding of the company's entire Group Annuity business, as well as the size of different blocks of this business. This information will be used to assess which blocks should be in scope for Group Annuity mortality experience data collection under VM-50 and VM-51.
2. To aid in the selection of companies subject to Group Annuity mortality experience data collection.
3. To better understand the company's Pension Risk Transfer business and business issued outside the U.S.
4. To gain input from companies that may help determine appropriate definitions for certain data elements (e.g. collar type).
5. To test a method to reconcile data submissions against the financial records of the company once data collection begins. Some type of reconciliation will be required by VM-50 to demonstrate that only business in scope for data collection is provided to the NAIC.

Additional upcoming projects include monitoring the plans for collecting life insurance mortality and policyholder behavior data using the NAIC as the statistical agent. Finally, the Society of Actuaries' (SOA's) Mortality and Longevity Oversight Advisory Council has formed a group to draft an APF to expand the life data collection to include much of the business that is currently out of scope (e.g. simplified issue, accelerated underwriting, guaranteed issue, etc.). This group is continuing to meet on a regular basis.

August 9, 2025

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

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

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

The Longevity Risk (E/A) Subgroup met July 16<sup>th</sup> and exposed a request for approaches for 60 days to develop longevity risk factor(s) for the longevity reinsurance product excluded from the application of the current C-2 longevity risk factors.

The Subgroup discussed the timeline outlined below.

Timeline	7	8	9	10	11	12	1	2	3	4	5	6	Notes
	25	25	25	25	25	25	26	26	26	26	26	26	
Expose request for longevity risk factor proposal approaches													SG exposed for 60-days ending 9/15
Review approaches, identify viable approaches. Request detailed proposals													Tentative: 90day exposure due Dec 2025
Discuss and refine viable proposals													
Adopt and submit proposed approach to Life RBC WG for 2026 adoption													Tentative: SG recommend to Life RBC by 3/1/26
Life RBC WG exposure of proposal (at least 30 day exposure)													Exposure by March 22-25 (2026 Spring National Meeting dates) if proposal involves structural changes.
													Exposure by May 1 proposal does not involve structural changes (e.g. factor only, instructions changes).
Life RBC WG adoption													Adoption by April 30 if proposal involves structural changes.
													Adoption by June 15 if proposal does not involve structural changes (e.g. factor only, instructions changes).
Capital Adequacy Task Force adoption													Adoption by May 15 if proposal involves structural changes.
													Adoption by June 30 if proposal does not involve structural changes (e.g. factor only, instructions changes).

- The adoption timeline may depend on the proposed approaches if the proposals include structural changes or factor changes only.

Draft: 8/1/25

Longevity Risk (E/A) Subgroup  
Virtual Meeting  
July 16, 2025

The Longevity Risk (E/A) Subgroup of the Life Risk-Based Capital (E) Working Group and Life Actuarial (A) Task Force met July 16, 2025. The following Subgroup members participated: Seong-min Eom, Chair (NJ); Lei Rao-Knight (CT); Mike Yanacheak (IA); Ben Slutsker (MN); William B. Carmello (NY); Peter Weber and Matt Elston (OH); Rachel Hemphill (TX); and Tomasz Serbinowski (UT).

1. Exposed a Request for Longevity Risk Factor Approach Proposals

The Subgroup reopened the tabled topic of developing the C-2 longevity risk factors for longevity reinsurance. Longevity reinsurance factor development was postponed during previous C-2 updates because the Valuation Manual (VM)-22 (A) Subgroup was still updating reserve methodologies. Eom introduced the reserve methodology (Attachment 1) that was adopted by the Life Actuarial (A) Task Force in June. The longevity reinsurance reserve is calculated as the present value of liabilities minus the present value of future premiums, floored at 2% of projected benefits over the next 12 months. The C-2 risk-based Capital (RBC) requirement for single premium, immediate, deferred, structured settlement, life contingent, or group annuities is determined based on the reserve amount multiplied by C-2 factors that vary by reserve amount. Longevity reinsurance cash-flow patterns are distinct from other annuities because the net liabilities tend to be very small in early durations, even after flooring. Due to the small early reserves for this product, Eom recommended an exposure request (Attachment 2) to consider approaches beyond applying factors to the reserve effective for 2026 RBC.

Serbinowski noted a challenge to address when considering different approaches occurs when an insurer pays a reinsurer a stream of premiums for longevity reinsurance. Since these premiums do not have life contingencies, the solution needs to address the fact that the assuming entity did not yet receive all future premiums as it would have under an agreement where the ceding company pays a single premium for longevity reinsurance.

Maggie Chang (NAIC) discussed two potential timelines for 2026 RBC adoption:

- For a proposal involving a structural change like adding lines and columns: The approach needs to be exposed for at least 30 days by the Life Risk-Based Capital (E) Working Group before March 31, 2026, and adopted by the Capital Adequacy (E) Task Force by May 15, 2026.
- For instruction-only changes or changes in factors: The Life Risk-Based Capital (E) Working Group must expose the approach by May 15, 2026, and be adopted by the Capital Adequacy (E) Task Force by June 30, 2026.

Eom exposed a request for C-2 factor development approach proposals, which may not require all technical details, for a 60-day public comment period ending Sep. 15. The Subgroup's objective is to receive detailed proposals for viable approaches by the end of the year and refer to the Life Risk-Based Capital Working Group by March 1, 2026.

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

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## Agenda Item 2

Consider Adoption of the Report of the Valuation Manual  
(VM)-22 (A) Subgroup, and Discuss Comments on the  
Retrospective Application of VM-22

Draft: 7/23/25

Valuation Manual (VM)-22 (A) Subgroup  
Virtual Meeting  
May 27, 2025

The VM-22 (A) Subgroup of the Life Actuarial (A) Task Force met May 27, 2025. The following Subgroup members participated: Ben Slutsker, Chair (MN); Thomas Reedy (CA); Lei Rao-Knight (CT); Mike Yanacheak (IA); Matt Cheung (IL); William Leung (MO); Seong-min Eom (NJ); Matthew Ryan (NY); Rachel Hemphill and Iris Huang (TX); Tomasz Serbinowski (UT); and Craig Chupp (VA).

1. Referred the Finalized VM-22 PBR Framework Recommendation to the Life Actuarial (A) Task Force

Slutsker described edits from the May 14 fatal flaws VM-22, Requirements for Principle-Based Reserving for Non-Variable Annuity Contracts, (PBR) framework exposure comment letters. Chupp, the American Academy of Actuaries (Academy), the American Council of Life Insurers (ACLI), and the NAIC proposed edits to the draft.

Leung made a motion, seconded by Reedy, to refer the Subgroup's finalized recommendation for PBR for non-variable annuities to the Life Actuarial (A) Task Force as amendment proposal form (APF) 2025-11. The motion passed unanimously.

2. Discussed Topics to Consider for the 2027 Valuation Manual

Slutsker provided an overview of the key items tabled from the initial 2026 implementation of the VM-22 PBR framework (Attachment A). The key items to address include: 1) the directive from the Life Actuarial (A) Task Force to enhance disclosures for the non-binding standard projection amount (SPA); and 2) consideration of VM-22 PBR application to contracts in scope but issued prior to the VM-22 PBR effective date.

Slutsker outlined several questions to discuss during future meetings before allowing VM-22 to apply to contracts issued prior to Jan. 1, 2026:

- What is the earliest issue date for which companies could apply the PBR methodology?
- Would retrospective application apply only to contracts issued after the first operative date of the VM of Jan. 1, 2017?
- Will companies be able to decide what products to value under PBR and how much of their non-variable annuity block prior to mandatory implementation?
- Is it appropriate for the Commissioners Annuity Reserve Valuation Method (CARVM) to be standard for in-force policies, or should all companies perform the exclusion tests to determine the type of reserves to calculate?
- How would a retrospective application of the PBR framework impact capital?

Cheung said he would consider opening the PBR framework to non-variable annuity contracts issued prior to 2026. He noted that the decision warrants careful consideration due to the significance of the non-variable annuity market.

Cheung asked what analysis was done on in-force business, given that the focus has been on new business.

Slutsker said that while newer in-force contracts were the basis of the VM-22 field test, companies would have considered prospective applications. Slutsker agreed that the impact on in-force contracts is one of many questions the Subgroup will need to work through before considering a timeline.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/A CMTE/LATF/2025-2-Summer/VM-22 Calls/05 27/May 27\_VM22Minutes.docx



Draft: 8/5/25

Valuation Manual (VM)-22 (A) Subgroup  
Virtual Meeting  
May 14, 2025

The VM-22 (A) Subgroup of the Life Actuarial (A) Task Force met May 14, 2025. The following Subgroup members participated: Ben Slutsker, Chair (MN); Elaine Lam, Vice Chair (CA); Lei Rao-Knight (CT); Mike Yanacheak (IA); Matt Cheung (IL); William Leung (MO); Seong-min Eom (NJ); William B. Carmello (NY); Matt Elston (OH); Rachel Hemphill and Iris Huang (TX); Tomasz Serbinowski (UT) and Craig Chupp (VA).

1. Discussed VM-22 Draft Comments

Slutsker introduced the comment left by the American Council of Life Insurers (ACLI) on VM Section II Subsection 2.C (Attachment 1). Slutsker thought the comment should be tabled until after the initial implementation. Brian Bayerle (ACLI) said he saw parallels in this section with VM-20, but he agreed it should be tabled. Chupp asked about the consistency with VM-V since VM-V was applicable based on issue date of the supplementary contract. Slutsker agreed, noting the Subgroup must decide whether to be consistent with VM-V or change it.

Slutsker introduced the comment left by the ACLI on VM Section II Subsection 3.B. Slutsker recommended to table the comment and Bayerle agreed. Slutsker stated that VM-22 never specified which deposit type contracts are required. Alex Esche (PricewaterhouseCoopers—PwC) said he had a client ask which products fall under the definition of a funding agreement. He continued to say those products were currently considered deposit type products under SSAP No. 50 in the Accounting Principles and Procedures Manual (APPM). He said that language accepting Guaranteed Investment Contracts (GICs) and funding agreements could be added to VM Section 3 Subsection 3. Slutsker said that products including GICs, synthetic GICs, stable value contracts, and funding agreements are explicitly scoped out of VM-22, but the Subgroup could revisit the scope issue in the future.

Slutsker introduced the comment left by Hemphill on VM Section II, Subsection 6.C. Hemphill elaborated on the comment by providing an example from VM-20, Requirements for Principle-Based Reserves for Life Insurance, saying if the secondary guarantee (SG) is a rider to the Universal Life (UL) contract, then according to the current VM-22 language it would follow UL requirements. However, ULSG contracts follow separate requirements from UL in VM-20. She recommended that requirements for base contracts can be different than those contracts with Guaranteed Minimum Benefits (GMxB). Slutsker agreed with the change, and there were no objections.

Slutsker introduced the comment left by the ACLI in VM-01, Definitions for Terms in Requirements, regarding the definition of Term Certain Annuity Payouts being considered deposit type products. Slutsker said this comment will be tabled until after initial adoption.

Slutsker introduced the comment left by Hemphill on VM-22 Section 2.B. Hemphill asked if the section was supposed to say “issues” or “valuations”. She wondered, based on the current language, if a company who elects to use VM-22 in 2026 and then later decides to hold off would have to continue reserving the 2026 block using VM-22. Slutsker stated the intent was to use “issues.” He clarified that once a company elects to apply VM-22 the expectation would be to apply it to future issues going forward as well as future valuation dates for all issues in scope. Serbinowski asked how a block of business is defined. He said he understood the section as if a company elects to value a block of business a certain way then that company may be required to continue valuing it the same way in the future, but he thought there needed to be more details on what a block of business was. Hemphill stated that with the “future issues” language if a product is changed from year to year then it becomes unclear as to whether it is considered a future issue. Slutsker agreed with Serbinowski and

Hemphill, and Slutsker stated that the future valuations are the focus. Slutsker proposed to change “issues” to “valuations.” Cheung stated that “valuations” is clear and agreed with the change. There were no objections to the change.

Slutsker introduced the comments left by Hemphill, Matthew Plett (Fidelity and Guaranty Life), and Angela McShane (Ernst and Young) on VM-22 Section 2.B regarding retroactive application of VM-22 for business issued on or after 1/1/26. Slutsker asked the Subgroup whether a company that does not elect to implement PBR on 1/1/2026 should be allowed to retroactively implement that business at a later date. Hemphill thought the base language would allow for retroactive implementation to 1/1/2026. Slutsker asked Hemphill whether VM-22 should specify that issues starting 1/1/2026 can be retroactively reserved for under VM-22 or if the language should be silent but still allow it. Hemphill replied that the language should stay consistent with VM-20 so that the language is not restrictive. No Subgroup member objected to using Hemphill’s proposal for language for retroactive adoption of VM-22 back to 1/1/26 issues.

Hemphill stated that Section 3.B was phrased assuming all post reinsurance reserve amounts are based on modeling cash flows net of reinsurance. She continued to say that companies reserving under VM-A, Appendix A: Requirements, and VM-C, Appendix C: Actuarial Guidelines, will not be modeling reinsurance cash flow, so it is better to reference Section 5. Slutsker said that Hemphill’s suggested edit will be included in the next exposure. Slutsker then introduced a comment from the ACLI on VM-22 Section 3.F.2.c regarding whether companies need to file with the Commissioner every year when aggregating payouts and accumulation annuities. Slutsker proposed removing the filing requirement for now. Bayerle agreed with removing the filing requirements until it can be further discussed in the future. Bayerle stated the intention of the filing requirement was to file one time, not annually. The Subgroup decided to removed the filing requirement and add a guidance note indicating filing will be revisited was added.

Slutsker introduced a comment by the ACLI on VM-22 Section 3.F.4 regarding the aggregate cash surrender value (CSV) when aggregating both contracts that have an explicit CSV and contracts that do not - such as payout annuities. Slutsker said his reaction is to assume the CSV for the payout annuities to be 0, combine it with the CSV of the other annuities, and use that for the purposes of the aggregate calculation and floor at CSV. Bayerle stated that clarifying Slutsker’s recommendation in the VM-22 language would be beneficial. Yanacheak said he does not think the payout CSV should be 0 given that it could result in a significant subsidy in the reserve calculation between payout and non-payout annuities.

Serbinowski asked if that would be applicable in a situation where a company has a Pension Risk Transfer (PRT) block of business receiving premium payments and also paying benefits. He asked if that business is reinsured, would that be a payout annuity for the assuming company or another category. Slutsker replied saying that it would depend on the type of reinsurance. He asked if the subgroup wanted to make changes prior to adoption noting that it was a very substantive issue. He thought that a proxy CSV floor for payout policies would have to be added. Yanacheak stated that this could create a situation where there is no CSV floor for the deferred annuity portion because it could be outweighed by one large PRT deal. Cheung stated that this situation is similar to accumulation variable annuity products where products with weak guarantees subsidized the others with stronger guarantees. The subgroup agreed to table this comment until after initial adoption.

Slutsker walked through a comment by the Academy on VM-22 Section 3.F.5.c regarding the allocation of the benefits of aggregation. Von der Embse stated that there are issues about allocation when aggregating and noted support for additional language and disclosures for VM-31. Hemphill recommended going with the Academy’s language. No Subgroup members objected to moving forward with the Academy’s suggested language. Slutsker then discussed a comment from the ACLI on the guidance note under VM-22 Section 6.A.1.a

regarding the aggregation benefit. Slutsker pointed out that the bottom of the guidance note states to apply the steps to each model point. He said this is the same language as VM-21, Requirements for Principle-Based Reserves for Variable Annuities and if they want a change to address it at the Life Actuarial (A) Task Force. Bayerle agreed with the approach.

Slutsker introduced a comment from the Academy on VM-22 Section 6.B.4.c.ii regarding the buffer calculation. Von der Embse stated the biggest concern is finding a single scenario that calibrates Conditional Tail Expectancy (CTE) 65. He pointed out the difficulty in finding CTE 65 on different valuation dates; the scenario closest to CTE 65 on one valuation date likely will not be the scenario that is closest to CTE 65 on a different valuation date. He said the section should allow: 1) companies to choose to have no buffer; 2) companies that use a buffer to do the calculation as of a different valuation date; and 3) an approximation of CTE 65 to be used for the DR. Hemphill agreed with the Academy's suggestion. She asked about the possibility of Conning creating a scenario 17 for CTE 65 similar to how scenario 12 is the DR. Slutsker recommended tabling the discussion until after implementation. He thought the Academy's language makes sense, and there were no objections.

Slutsker discussed a comment from Chupp on VM-22 Section 6.C.8 regarding references to VM-M for mortality tables. Chupp stated that in VM-20 there were references to VM-M for mortality tables, so VM-22 should point to VM-M for mortality. Slutsker recommended tabling the comment until after initial adoption, and no Subgroup members objected. Slutsker introduced a comment from the Academy on the guidance note on VM-22 Section 6.C.8 regarding age nearest birthday (ANB) and age last birthday (ALB) mortality tables. Von der Embse thought the guidance note should clarify the conversion between ANB and ALB, especially with a prescribed table and products where mortality is the only assumption. Von der Embse additionally suggested more description of how Fx factors were developed to support to updates in the future. No Subgroup members objected to the language revisions.

Slutsker walked through the ACLI's comment on VM-22 Section 7.C.1.b regarding mortality improvement sensitivities. Slutsker stated the ACLI had some concerns with +1% and -1% mortality improvement assumptions and wanted a more refined approach for older attained ages, but recommended tabling the comment until after adoption. Bayerle agreed and stated that the ACLI will perform sensitivity testing for companies to use in 2026.

Slutsker introduced a comment from the Academy on VM-22 Section 13 regarding aggregation across multiple model segments. The suggested language states that: 1) the allocation calculation should be done separately for each model segment to allocate the aggregate reserve, post aggregation benefit, to each model segment; and 2) the methodology for allocation should be documented in VM-31, PBR Actuarial Report Requirements for Business Subject to a Principle-Based Valuation. No Subgroup members objected to the revisions. Slutsker then walked through a comment by the Academy on VM-31 Section 3.F.16 regarding the extent that aggregation is made across multiple model segments. He stated that another line could be added stating the methodology used to allocate the aggregation benefits across model segments should be documented. Von der Embse agreed. Slutsker introduced a comment by Hemphill on VM-31 Section 3.F.14.k.ii regarding reporting aggregation criteria. The ACLI had previously recommended language and Bayerle stated ACLI agreed with Hemphill's comment since it addressed the same concern and was more concise. Slutsker introduced a comment by the ACLI on VM-V Section C.2 regarding settlement options. Slutsker recommended to discuss the comment after adoption, to which Bayerle agreed.

Hemphill made a motion, seconded by Lam, to expose the VM-22 draft for a 7-day exposure period ending May 21. The motion passed unanimously.

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

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Draft: 7/31/25

Valuation Manual (VM)-22 (A) Subgroup  
Virtual Meeting  
April 23, 2025

The VM-22 (A) Subgroup of the Life Actuarial (A) Task Force met April 23, 2025. The following Subgroup members participated: Ben Slutsker, Chair (MN); Elaine Lam, Vice Chair (CA); Lei Rao-Knight (CT); Mike Yanacheak (IA); Matt Cheung (IL); William Leung (MO); Seong-min Eom (NJ); William B. Carmello (NY); Rachel Hemphill (TX); and Tomasz Serbinowski (UT) and Craig Chupp (VA).

1. Exposed the VM-22 Draft Framework

Slutsker presented edits to the 2025 *Valuation Manual* necessary to implement the principle-based reserving (PBR) framework for non-variable annuities for 2026. He summarized the key Subgroup decisions reflected in the current VM-22, Requirements for Principle-Based Reserves (PBRs) for Non-Variable Annuities, draft from the prior exposure: 1) the Feb. 12 adoption to change the longevity reinsurance k-factor floor to the New Jersey 2% of benefits proposal; 2) the Feb. 26 adoption of the Texas reinvestment guardrail proposal; 3) the March 5 adoption of a 6% stochastic exclusion ratio test (SERT) ratio and +/- 1% mortality improvement sensitivities; 4) the March 12 adoption to change the draft SPA binding floor to a disclosure only item; 5) the April 9 adoption allowing aggregation between the accumulation and payout reserve categories; and 6) the April 16 decision to rename the Deterministic Certification Option to the Single Scenario Test.

Leung made a motion, seconded by Lam, to expose the draft framework for a 16-day public comment period ending May 9. The motion passed.

2. Exposed Draft VM-22 Reserve Supplement and Instructions

Amy Fitzpatrick (NAIC) presented draft instructions to accompany the VM-22 Reserves Supplement draft to the annual statement. She recommended a March 1 deadline for the filing due date. The VM-20 Reserves Supplement instructions formed the foundation with edits to apply to non-variable annuities and the applicable sections of the VM-22 draft. Commenters were asked to opine on the: 1) definition for number of contracts applicable to group business; 2) annuitizations that may be reported in the fixed deferred annuity line in one year and in the annuitizations line in subsequent years upon contract holder election to annuitize; and 3) ability to provide pre-tax interest maintenance reserve (PIMR) in Part 1B of the supplement in order to reconcile Part 1A and Part 1B.

Cheung asked for the rationale behind the March 1 due date considering the VM-31, PBR Actuarial Report Requirements for Business Subject to a Principle-Based Valuation, reports are due April 1. Fitzpatrick said the March deadline allows state insurance regulators to identify from which companies to expect VM-31 filings. Hemphill said regulators use the time to query the financial annual statement data in March to: 1) identify companies' lines of business subject to PBR; 2) assess changes from the prior year; and 3) plan resource allocation to review VM-31 reports starting April 1.

Leung made a motion, seconded by Yanacheak, to expose the instructions, the supplement, and an additional question to add PIMR columns for a 37-day public comment period ending May 30.

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

Draft: 8/4/25

Valuation Manual (VM)-22 (A) Subgroup  
Virtual Meeting  
April 16, 2025

The VM-22 (A) Subgroup of the Life Actuarial (A) Task Force met April 16, 2025. The following Subgroup members participated: Ben Slutsker, Chair (MN); Elaine Lam, Vice Chair (CA); Lei Rao-Knight (CT); Matt Cheung (IL); William Leung (MO); Seong-min Eom (NJ); William B. Carmello (NY); Rachel Hemphill and Iris Huang (TX); Tomasz Serbinowski (UT) and Craig Chupp (VA).

1. Tabled Discussion of Reserve Category for Deferred Annuities with GLBs and Depleted Fund Value

In 2022 the Subgroup discussed many different potential solutions and had a close vote on the issue of assigning a reserve category to deferred annuities contracts with income/withdrawal benefits when funds are depleted but stay in force because of a guaranteed living benefit (GLB). Slutsker said the latest VM-22 draft retains these contracts in the accumulation category. The necessity to immediately address the handling of contracts with depleted fund values in the payout or accumulation categories was lessened when the Subgroup agreed on Apr. 9 to allow aggregation across the payout and accumulation category only when specific criteria are met. Slutsker recommended tabling this topic because of this reason as well as being less meaningful during the phase-in because companies can choose which groups of products to implement PBR. Brian Bayerle (American Council of Life Insurers - ACLI) said the ACLI supported tabling the issue. The Subgroup agreed to revisit for the 2027 *Valuation Manual*.

2. Adopted Removal of the Payout Annuity Threshold for Automatic Exclusion

Slutsker provided an overview of the prior discussions. In 2022 there was an initial proposal from the ACLI to permit automatic exclusion of certain payout annuities. At that time, the Subgroup agreed to include the automatic exclusion on the condition that there would be firm criteria for contracts eligible for that exclusion. There was wording included for making sure payments were fairly level and did not increase much from year to year. At the time, a placeholder “[X]” was included to ensure the Macaulay duration was less than “[X]”. The Subgroup had asked the American Academy of Actuaries (Academy) to recommend a value for X. The Academy recommended using volume size instead of a Macaulay duration cutoff. The Academy developed the framework for payout annuity threshold to look at the payout annuity reserve from the prior year by looking at individual and group single premium immediate annuities, pension risk transfer and similar payout contracts, and annuity certain deposit type contracts.

Slutsker used the 2024 Annual Financial Statement payout annuity reserves data (Attachment A) to demonstrate the number of companies that could potentially be subject to PBR under each threshold option. Leung asked for the purpose of the payout annuity reserve threshold given the existing annuity exemption in the current VM-22 draft. Slutsker said the ACLI had proposed the exemption in 2022 because the eligible contracts would be simple “vanilla” contracts and going through formal exclusion testing would require building a PBR model which could be burdensome. Many companies have these on small volumes and the intent was the minimize implementation efforts. Bayerle said that while addressing the issue could be beneficial to some companies, it was not essential to immediately address because of updates made to the framework since the issue was first raised. Bayerle said the ACLI was comfortable with either decision to retain or strike the exclusion from the draft.

Hemphill stated that her concerns regarding the exemption pertain to resource allocation and the increased level of judgement required compared to the Life PBR Exemption. The Life PBR exemption was more subjective and

required the company to check against a premium threshold. Under the Annuity PBR exemption, the company would have to certify and file the request by July 1 and regulators would have until September 1 to reject it. She recommended removing the language entirely. Lam agreed. Lam said the exemption process posed distinct challenges versus exclusion testing. First, exemptions were challenging to track because those filings were submitted to different parties. Secondly, the Life PBR Exemption operated under a different timeline than exclusion testing. Lam preferred to remove the automatic exemption from VM-22 and allow the payout products to flow through the other existing exemption options retained in the draft. Eom agreed with Hemphill and Lam. Eom said requiring the payout contracts to go through the existing exclusion test process would be easier and smoother. Leung supported removing the payout threshold because there were enough other ways to exclude the contracts and the justification to keep the automatic exclusion was weak.

Bruce Friedland (Academy) said the intent of the separate payout annuity reserve threshold exclusion was to apply to plain vanilla contracts. He said the Academy supported removing it considering the 3-year transition period and recommended revisiting the issue in the future as necessary.

Chupp noted that one of the updates added to VM-20 after initial implementation was to clarify the Life PBR Exemption/exclusions for companies that may be in runoff and the only business they were issuing were life conversions from existing policies already on the books. Chupp said his concern with VM-22 was with companies that may be in run-off and have little payout annuity business but would have to implement PBR just for those contracts that were simply exercising options on existing contracts. Hemphill said the latest VM-22 draft included size-based threshold as well as criteria analogous to the current VM-20 for companies that are not actively issuing contracts.

Leung made a motion, seconded by Hemphill, to strike the payout annuity exemption test from the draft. The Subgroup adopted the removal of the payout annuity exemption test from the VM-22 framework.

### 3. Adopted Texas Single Scenario Test Proposal

Slutsker said the deterministic certification option (DCO) under certain conditions allowed companies to calculate a deterministic reserve (DR) rather than a stochastic reserve (SR). To be eligible, a company could not have a future hedging program included in the reinvestment strategy, the contracts cannot have cash surrender value or any features that present material economic risks, and the contracts cannot be pension risk transfers (PRT). Slutsker said the decision the Subgroup needed to make was if the stochastic exclusion ration test (SERT) must be passed to be able to use the DCO.

Bruce Friedland (Academy) said that contracts with predictable and stable cashflows; limited and non-interest rate sensitive behavior; and no material future premiums should be allowed to calculate the DCO without having to pass the SERT. Friedland suggested instead that the actuary should be able to show some kind of demonstration to take advantage of the DCO rather than going through the SR. Friedland said that the demonstration should allow for a collar so that contracts would not switch between passing the DCO and failing due to economic volatility. Jonah von der Embse (Academy) presented how the demonstration could work for example contracts. The demonstrations used the 2024 GOES Field Test SERT scenarios, SPA mortality assumptions, and the mortality improvement based shocks for the SERT. Von der Embse said that the point of the illustration is to show the relationship between the SERT, DR and SR. He said for the tested products (life & certain, life only, and life only with deferral), the final result that the SERT had variations up to 40% in the SERT ratio but the DR and SR were within 2% of each other.

Cheung asked whether companies would have to calculate scenario reserves anyway for the risk-based capital

calculation even though only one scenario was used for the reserve calculation. Friedland said the Academy will follow up on this question of handling capital under this approach. Hemphill said the idea of a collar is challenging because the Life Actuarial (A) Task Force has been trying to eliminate so many different spots in the VM where there are discussions about materiality. She suggested utilizing the simplifications, approximations, and model efficiency techniques language so that it can be understood in aggregate.

Bayerle walked through the ACLI's comment letter, noting that the ACLI supported: 1) a robust DCO to make sure that it meets the needs of regulators; 2) revisiting considerations around aggregating across product lines; and 3) valuing contracts where the account value is exhausted in the Accumulation Reserving Category.

Hemphill discussed the Texas proposal that she said in substance followed the same intent of the ACLI draft while balancing maintenance to the VM. The DCO name was renamed to Single Scenario Test (SST) because the name should signify a distinct method from the stochastic exclusion test (SET) and indicate it is different from the VM-20 deterministic exclusion test. The edits reference applicable stochastic exclusion testing (SET) sections while identifying distinct differences. She said they chose "Single Scenario Test" to clearly distinguish it as a test. Hemphill noted a company could pass the SST if they follow the requirements of the SET but with some modifications by using the deterministic reserve as the baseline. Under the certification method a company would not need to certify or support immaterial mortality or longevity risks. She said the ACLI proposal recommended a quantitative demonstration, which was still included in the proposal as well as the examples from the ACLI.

Cheung asked if the company cash-flow testing model would still use the prudent estimate assumptions under the SERT. Hemphill agreed and added that companies may call them prudent estimates or with provisions for adverse deviations (PADs). Cheung prefers the term "prudent estimate assumptions" wanted to avoid ambiguity if certain assumptions do not have PADs. He recommended clarifying that the cash flow testing model should use the prudent estimates assumptions. Hemphill and Slutsker agreed.

Bayerle said the ACLI supports moving forward with the edits Hemphill proposed for the next exposure. Friedland said the Academy also supported those edits.

Lam made the motion, seconded by Hemphill, to include the recommended language Texas presented including the edit from Illinois to clarify that the assumptions should include prudent estimates (provisions for adverse deviations). The motion passed to include these edits in the next VM-22 draft exposure.

#### 4. Received Referral from Life Actuarial (A) Task Force on SPA Disclosures

The Life Actuarial (A) Task Force directed the VM-22 Subgroup to require specific analysis for enhanced disclosures, clarify that the SPA is not a safe harbor for company assumptions, and to review the framework and disclosures in three years. Slutsker noted these instructions were outlined in Section 3 of the VM-22 draft.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/A CMTE/LATF/2025-2-Summer/VM-22 Calls/04 16/Apr 16\_VM22Minutes.docx



Draft: 8/4/25

Valuation Manual (VM)-22 (A) Subgroup  
Virtual Meeting  
April 9, 2025

The VM-22 (A) Subgroup of the Life Actuarial (A) Task Force met April 9, 2025. The following Subgroup members participated: Ben Slutsker, Chair (MN); Elaine Lam, Vice Chair (CA); Lei Rao-Knight (CT); Mike Yanacheak (IA); Matt Cheung (IL); William Leung (MO); Seong-min Eom (NJ); William B. Carmello (NY); Rachel Hemphill and Iris Huang (TX); Tomasz Serbinowski (UT) and Craig Chupp (VA).

1. Discussed Edits to SPA Policyholder Behavior Assumptions

Brian Bayerle (American Council of Life Insurers—ACLI) discussed the key ACLI comments on the standard projection amount (SPA). The ACLI supports the decisions to make the SPA a disclosure-only requirement and supports the guidance note outlining high-level considerations regarding the disclosures to be enhanced prior to the mandatory effective date. The ACLI recommends that data be collected during the transition period to better understand the SPA assumptions. Bayerle noted that the Society of Actuaries (SOA) and LIMRA may collect data for VM-22, Requirements for Principle-Based Reserves for Non-Variable Annuity Contracts, products.

Lam said the VM-22 Policyholder Behavior Assumptions Drafting Group agreed to update the language that sets 95% as the minimum amount of non-qualified contracts required to start withdrawals provided in the American Academy of Actuaries' (Academy's) comments. Jonah von der Embse (Academy) confirmed the changes requested in the Academy's letter were implemented in substance and had no further comments to edit. Bayerle said the ACLI would review after the next exposure.

Lam recommended changing the term "policies" to "contracts" in the guardrail application example guidance note. She said the pricing spread of zero was intentional, and the drafting group preferred retaining the reference to the pricing spread since it could be non-zero in the future, and it wanted to reflect that it was considered at implementation.

Hemphill made a motion, seconded by Leung, to expose the edits to the SPA draft in the next VM-22 draft exposure with the recommended edit to replace the term "policies" with "contracts" in the guidance note. The motion passed unanimously.

2. Adopted Aggregation Across Accumulation and Payout Reserve Categories

Bayerle said the ACLI agreed there should not be an option to aggregate the longevity reinsurance category with any other reserve categories. The ACLI recommends allowing companies to aggregate the accumulation and payout categories because prohibiting aggregation could create a material mismatch between how some companies manage the risks and how the reserve is calculated. Bayerle said that the only way companies could use the option to aggregate payout and accumulation categories would be if the company considered the risks and assets in an aggregated fashion.

He said the two main criteria the ACLI proposed may address some of the regulators' concerns. One criterion is regarding how companies manage risk in an integrated risk management process and are able to document that. The other criterion is that assets are managed within a single portfolio at the company, or if there are multiple portfolios then the sub-portfolios still have the same asset-liability management strategy. The ACLI recommended disclosure requirements in VM-31, Requirements for Actuarial Reports that Support Principle-Based Reserves, as

well as a requirement to file the available information prior to July 1 of the year that a company plans to implement the approach with the domestic commissioner.

Angela McShane (Ernst Young—EY) presented additional model office impacts (Attachment 1). McShane said EY used the existing model office results to scale the conditional tail expectation at the 70<sup>th</sup> percentile (CTE 70) amounts and apply different weights of the deficiencies between the single premium immediate annuity (SPIA) and fixed annuity results. The resulting aggregation benefit was around 1% under the 200-scenario subset.

The Subgroup discussed the advantages and disadvantages of allowing the aggregation of payout and accumulation annuities. Hemphill said Texas still fully supports aggregation, though did have to consider it further given the recent vote for SPA as a disclosure only. She said the criteria proposed by the ACLI were not a prerequisite to allowing aggregation.

Rao-Knight said Connecticut supports the more principle-based approach that allows aggregation because, it not only aligns with how companies manage their risks but also allows domestic regulators to request additional information from the company.

Leung said he was open to the idea of aggregating and would be comfortable combining fixed deferred annuities (FDAs) with payout annuities, considering they are in the same portfolio. He expressed concerns that if indexed annuities were commingled with FDA, they would both be in the accumulation category. Given that indexed annuities have different product characteristics, he said they should not be combined with SPIAs.

Serbinowski said he was in favor of aggregation because it could incentivize companies to have products that act as natural hedges, and it is in the regulator's best interest to encourage companies to diversify across products. He noted that disclosures regarding how much the aggregation reduces the reserve would be needed.

Yanacheak noted that companies' arguments about managing risk and aggregating at a level to which they manage it, many times, that is predominantly on the liability side. He said that the reserving regulations are changing, and when companies mix products that have extensive liquidity provisions with products that have little or no liquidity provisions, then the assets backing those liability structures could be very different. He said the Subgroup needs to be cognizant of this if aggregation of payouts with accumulations is allowed, because there are companies that present very good arguments as to why they have potentially less liquid assets in parts of their portfolio (e.g., because of a large payout annuity block). Further, if the reserve calculations are modeled with something that has very extensive liquidity, it could be challenging to address the modeling and handling of the illiquid assets in that modeling activity and the stressed environments that impact the reserve levels. Regulators will need to be able to determine a way to validate the reasonableness of the reserves by reviewing disclosures and identifying these issues.

Cheung said he supported aggregation. He said that, from a company perspective, when considering liquidity for one product, cash flows that could support it from other lines of business should be included in that calculation. Cheung concurred with Yanacheak's views on liquidity complexities. Yanacheak agreed, adding that insurance regulators must consider how to validate reserves given these complexities.

Slutsker said allowing this aggregation will necessitate additional criteria. He advised the Subgroup to approach the vote on the aggregation decision with the understanding that the criteria will be addressed after voting. Slutsker requested a straw poll to vote on whether to a) allow aggregation across the payout and accumulation categories while retaining the longevity reinsurance transaction (LRT) reserve category, which cannot be aggregated or b) retain the requirement for separate categories for payout, accumulation, and LRT that cannot be

aggregated. Connecticut, Illinois, Iowa, New Jersey, Texas, and Utah voted in favor of allowing aggregation of the payout and accumulation categories. California, Missouri, New York, and Virginia voted in favor of maintaining the separate reserve categories that prohibit aggregation of the payout and accumulation categories. The Subgroup agreed to include an option for companies that meet certain requirements to aggregate the payout and accumulation categories.

### 3. Adopted Criteria and Disclosures for Aggregating Across Payout and Accumulation Categories

Slutsker provided an overview of the ACLI proposed aggregation criteria. The payout annuity reserving category and accumulation reserving category may be aggregated only if they meet criteria that defines two separate reserving categories but adds a condition of when the two may be combined. The criteria to aggregate include 1) if the company manages the risks of contracts together; 2) both categories are managed within a single portfolio; 3) the company submits a filing with the domiciliary commissioner, and 4) the company includes accompanying disclosure requirements. The disclosures should discuss the risk management process, and information regarding the single portfolio being used for product types for both categories. Slutsker noted two ways move forward: a) include a demonstration in the VM-31 PBR Actuarial Report or b) use an approach like the VM-20 disclosure of recalculating the Indexed Universal Life and Variable Universal Life and providing it purely for disclosure. Slutsker said the Subgroup should also consider if the requirement should be a barrier or disclosure only.

Yanacheak noted that the proposed disclosure requirements were missing a discussion of how and at what price companies are transacting illiquid assets in their portfolios in stressed scenarios. Hemphill said she did not think the Subgroup should require the ACLI criteria as written to allow aggregation but agreed there should be some disclosure requirements along the lines of those noted by Yanacheak. Hemphill also raised concerns about the additional filing requirement for prior approval.

Slutsker called for a straw poll to adopt the ACLI edits as an interim measure for disclosure requirements for the 2026 implementation, with the understanding that the Subgroup will revisit this topic for the 2027 *Valuation Manual*. Additionally, a guidance note will be included to indicate that future changes may occur regarding disclosures related to aggregation for both liabilities and assets. The Subgroup decided to add the proposed ACLI aggregation criteria and disclosure requirements as a placeholder in the next VM-22 draft, ensuring some disclosure is included, with plans to revisit the issue later.

### 4. Discussed the Criteria for Aggregating Model Segments Within a Reserve Category

Von der Embse discussed the Academy's comments on aggregation of model segments. He said the VM-22 draft does not allow multiple model segments to benefit from aggregation as is allowed under VM-20, Requirements for Principle-Based Reserves for Life Products. He said the Academy suggests VM-22 should allow for aggregation across model segments. He said the Academy's proposed language was similar to how EY performed the aggregation of FDA and SPIA in that model office. He said the rationale was to align VM-22 with VM-20 specifically for allowing aggregation across model segments. The Subgroup agreed to permit the aggregation of model segments within a reserving category.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/A CMTE/LATF/2025-2-Summer/VM-22 Calls/04 09/Apr 9\_VM22Minutes.docx

**Subject: Discussion Points Regarding Potential Retrospective Application of VM-22**

New Jersey is proposing to explore retrospective application of VM-22 for business issued on or after January 1, 2017 and prior to its current effective date of January 1, 2026.

To facilitate consideration and discussion of this proposal, comments are requested on the following key items:

1. Please identify and elaborate on the benefits and challenges associated with implementing a retrospective application of VM-22.
2. Provide any additional information and viewpoints as it pertains to the implementation date, application to past issue years, and mandatory vs. optional requirements.



July 17, 2025

Mr. Ben Slutsker, Chair  
Valuation Manual (VM)-22 (A) Subgroup, Life Actuarial (A) Task Force (LATF)  
National Association of Insurance Commissioners (NAIC)

Re: Chair Exposure of [VM-22 Retrospective Application](#)

Dear Chair Slutsker,

On behalf of the Annuity Reserves and Capital Subcommittee (ARCS) of the American Academy of Actuaries,<sup>1</sup> we appreciate the opportunity to comment on the Valuation Manual (VM)-22 (A) Subgroup's (Subgroup) exposure requesting discussion on the potential retrospective application of VM-22 (Retrospective Application) and are pleased to provide the following comments.

The ARCS is deeply committed to a principles-based reserve (PBR) framework and believe that it is appropriate to permit Retrospective Application. This letter outlines the basis for our conclusions and provides additional considerations, as requested in the exposure.

**Response to Exposure Item 1: Please identify and elaborate on the benefits and challenges associated with implementing a retrospective application of VM-22.**

In response to your request for discussion points in item one of the exposure, we have identified the following benefits:

1. **Better alignment between risk and reserves.** We believe that a retrospective application of VM-22 for reserves for in-force contracts would better reflect the underlying risk profile of the business (e.g., due to modeling actual supporting assets across a range of economic scenarios).
  - a. We do not expect the impact to reserves for in-force contracts to be uniformly higher or lower under PBR. Instead, we expect the impact to vary block-by-block.
  - b. Since seasoned business may be less volatile than new business for certain contract types, natural risk offsets across different issue year vintages could be more accurately captured in a PBR framework.
2. **Better alignment between reserving and asset management.**
  - a. Given the asset-intensive nature of much of the business in-scope for VM-22, the selection of initial assets is critical for PBR and is significantly more difficult for portfolios that contain both PBR and non-PBR blocks. Pro-rata allocation from the total portfolio may lead to inappropriate results on a prospective basis, while limiting the allocation to assets

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<sup>1</sup> The American Academy of Actuaries is a 20,000+-member professional association whose mission is to serve the public and the U.S. actuarial profession. For 60 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

by purchase year may also be inappropriate, because assets are purchased based on the total portfolio and total liability, not based solely on the new liability.

- b. Asset allocation decisions have the potential to be far more impactful to reserves for VM-22 as compared to VM-20, given the single premium nature of most VM-22 business versus the recurring premium nature for most VM-20 products. Today, many companies manage their pre-PBR and post-PBR business together in a single asset portfolio or use a single investment strategy. Without Retrospective Application, the allocation of assets between PBR and non-PBR business for these companies would be complex. Potentially artificial and arbitrary asset allocation decisions could materially impact the amount of reserves under PBR without any effect on pre-PBR business. Bringing more blocks into PBR reduces the potential for such anomalies.
  - c. Implementing the Retrospective Application would reduce the incentive for companies to develop asset allocation processes which are designed to reduce reserves without a commensurate decrease in the overall risk profile of the business.
  - d. At a minimum, we recommend a requirement for detailed information on the asset selection and allocation processes to be disclosed in each company's VM-31 report for any block where only a portion of the business is valued under PBR.
3. **Potential consistency with future C3P1 capital requirements.** To the extent that the principles-based updates made to C3P1 cover all in-force business, aligning reserves and capital methodology for the largest possible volume of business would be desirable. This would produce a combined capital and reserve framework that aligns with the underlying risks of the business at the target level. Applying Retrospective Application to a 1/1/2017 issue date would be a positive development, though extension to all in-force business could potentially produce the best alignment.
4. **Increased transparency and potential to reduce the need for reinsurance.** Some of the business that would be in-scope for Retrospective Application has been reinsured. While there is a variety of reasons to reinsure business, some companies may have entered into agreements they felt better aligned their asset management and hedging practices with their reserving requirements. Permitting Retrospective Application would allow companies to consider recapture of previously reinsured blocks and also influence future decisions on whether to reinsure in-force blocks. For business that remains reinsured, the use of PBR would provide regulators with greater transparency into the gross and ceded risks associated with the business.

Of course, Retrospective Application would not be without challenges, including:

- 1. **Implementation Challenges.** Retrospective Application may be operationally challenging or time-consuming for some companies, particularly those with closed blocks of business that may not have been anticipating the need to include these blocks in PBR modeling and governance processes.
- 2. **Volatility.** Since the impact of Retrospective Application was not contemplated at the time the business was developed, some companies may have unanticipated volatility in reported reserves and capital from Retrospective Application.

On balance, we believe the merits outweigh the challenges for most, though not all, blocks of business.

**Response to Exposure Item 2: Provide any additional information and viewpoints as it pertains to the implementation date, application to past issue years, and mandatory vs. optional requirements.**

In response to item two of the exposure, we identified the following recommendations to ease implementation and maximize the consistency between risk management and reserving:

1. **Optional Adoption.** Allow companies to optionally elect Retrospective Application for either none, some, or all of their in-scope business during the transition period. If a company elects Retrospective Application for only a portion of their eligible business (e.g., only for certain products or only for certain issue year vintages), we recommend modifying the VM-31 report to require that a Qualified Actuary describe why the company elected to transition only a portion of their eligible business. This should ensure such decisions reduce reserves with a commensurate decrease in the overall risk profile of the business. To the extent that an optional adoption approach is permitted for statutory reserves, we note that the tax-related implications would need to be evaluated.
2. **Phased Implementation.** Permit companies to phase-in Retrospective Application during the transition period on a contract-by-contract basis, allowing for the additional data gathering, model development, and governance enhancements that may be required. Once a particular contract or block of business has transitioned to PBR, it should then continue to use PBR for all future valuation periods.
3. **Potential Extension to pre-1/1/2017 business.** While we understand there are challenges with permitting Retrospective Application for contracts issued prior to 1/1/2017, we would note that some companies may have pre-1/1/2017 business that is managed in a single portfolio, using an integrated risk management process together with more recent business. We believe it would be appropriate to permit individualized exceptions to a Retrospective Application for these contracts, should no universal solution be possible due to the operative date of the VM. To the extent that VM-22 is extended to pre-2017 business, we note that the tax-related implications would need to be evaluated.

Finally, as the ultimate decision regarding Retrospective Application may materially impact many companies' VM-22 PBR implementation plans and the timing of implementation, we encourage the Subgroup to make decisions and recommendations to LATF regarding Retrospective Application as expeditiously as possible.

Thank you for your consideration of these comments. Please contact Amanda Barry-Moilanen ([barrymoilanen@actuary.org](mailto:barrymoilanen@actuary.org)), the Academy's policy project manager, life, if you have any questions or would like additional clarification.

Sincerely,

Bruce Friedland, MAAA, FSA  
Chairperson, Annuity Reserves and Capital Subcommittee  
American Academy of Actuaries



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202-624-2169  
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July 25, 2025

Ben Slutsker  
Chair, NAIC Valuation Manual (VM)-22 (A) Subgroup (Subgroup)

Elaine Lam  
Vice Chair, NAIC Valuation Manual (VM)-22 (A) Subgroup (Subgroup)

Seong-min Eom  
Chief Actuary, NJ Department of Banking & Insurance

Re: VM-22 Retrospective Application

Dear all,

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide comments on the June 2025 VM-22 Retrospective Application Exposure (Exposure).

The Exposure posed two questions: 1) Please identify and elaborate on the benefits and challenges associated with implementing a retrospective application of VM-22; and 2) Provide any additional information and viewpoints as it pertains to the implementation date, application to past issue years, and mandatory vs. optional requirements.

ACLI does not support mandatory implementation of retroactive requirements. ACLI appreciates the opportunity for continued discussion on optional implementation that allows companies the flexibility to determine resourcing, scope, and address the challenges noted. Below we outline the challenges of retroactivity, along with potential benefits and other considerations.

#### **Challenges with Retroactivity:**

- Unanticipated change to reserves: Companies did not consider a change in the reserve methodology when they were pricing and developing products. Changing the reserve basis

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[acli.com](http://acli.com)



will impact how companies manage existing blocks given they were not priced to align with the VM-22 reserve methodology. Further, this could complicate how regulators review and assess the appropriateness of reserves, and will likely need additional analysis.

- Existing reinsurance arrangements: Much as companies did not contemplate the reserve basis may change for existing products, there is a similar concern for contractual and collateral stability with reinsurers.
- Resource limitations: Many companies would be challenged with the degree of effort required to apply a new framework to existing business. Smaller companies would have great difficulty complying with retroactivity, forcing them to choose between burdensome costs or potential inequity if retroactivity is optional. Additionally, for companies that no longer sell annuity products including legacy business in any new requirement seems inappropriate.
- Additional development of the VM-22 framework: There are many open items identified by the Subgroup that will need to be addressed before the framework becomes mandatory for all contracts, such as aggregation and disclosure. Based on experience with the VM-20 framework, there may be material changes to VM-22 before it becomes mandatory in 2029. It would be difficult for companies to assess the impact until the framework is stabilized.
- Pending Capital Framework: The updated C-3 Phase 1 methodology is still under development and impacts are unknown. VM-22 retroactivity could complicate the development and implementation but there could be benefits as we describe in a bullet in the section below. Regardless, additional analysis will be necessary.
- Inconsistency: Optional implementation with domestic regulatory approval may create an unlevel playing field and disparities if there is inconsistent application of retroactivity between states.

#### **Potential Benefits to Optional Retroactive Application:**

- Valuation Interest Rate Lag: The issue year based annual valuation interest rate under CARVM may lag compared to changes in the market, and retroactivity allows for better alignment of reserves to prevailing economic conditions.
- Modeling: Retroactivity may allow some companies to reduce the number of models for their fixed annuity business, depending on how their models are structured.
- Increase Consistency: While the methodology is unknown, if it is consistent with the revised VM-22 and applies retroactively, then this could increase consistency between VM-22 and C3P1 in both the modeling effort and the results, especially in situations where discount rates and/or decrements are misaligned.
- Asset allocation: Given a company's asset portfolio(s) may be supporting both PBR and non-PBR business, it could improve the ability to manage and allocate assets within the VM-22 framework that better aligns with the company's overall asset management strategy.
- Expand PBR: Continues to increase exposure to the stated goals of principle-based reserves (e.g. "right-sizing" of reserves, more adaptable to product design, reflect company-specifics including experience, dynamically adjusts for economic conditions), which also helps Cash Flow Testing.

#### **Other Considerations**

- Field Testing: extensive in force field testing should be considered before regulators contemplate making any changes to the existing reserve basis of such a material block of business.

- Actuarial Guideline 55: Later this year, LATF is likely to require informational asset adequacy analysis for offshore reinsurance transactions to be submitted to the Valuation Analysis Working Group (VAWG). Any consideration of retroactivity to address reinsurance related concerns should reflect VAWG's analysis of these submissions.
- Organized and Defined Framework for Optionality is Recommended: No matter what the retroactive application date, having an organized and defined framework would make the process cleaner and easier (i.e., standardized approval process and disclosure in VM-31, better transparency).
  - For example, if a company starts selling a new product in the 2<sup>nd</sup> half of 2025, without retroactive application they would likely petition to be an exception so the whole product series can be valued under VM-22 rather than having a small sliver remain under prior actuarial standards.
  - Additional industry actions could also include:
    - Companies submitting a filing to Domestic Regulator (or VAWG) on what business they are or are not adopting retroactively. Once submitted, a company cannot change without Domestic Regulator (or VAWG) approval.
    - CFT still performed as a guardrail.

Thank you again for the consideration of our comments and we look forward to further discussion at a future Subgroup session.

Sincerely,

Handwritten signature of Colin Masterson in cursive script.

cc: Amy Fitzpatrick, NAIC

### Agenda Item 3

Consider Adoption of the Life and Annuity Illustration (A)

Subgroup Report, and Consider Re-Exposure of

Revisions to Actuarial Guideline AG49-A

**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  
Ben Slutsker, Minnesota Department of Commerce

**Title of the Issue:**

Clarify the requirements of AG49 Section 7.B and 7.C, to address the observed practice of including of historical averages exceeding the maximum illustrated rate and backcasted performance.

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:

Section 7, Actuarial Guideline 49

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.)

**7. Additional Standards**

A. The basic illustration shall also include the following:

- i. A ledger using the Alternate Scale shall be shown alongside the ledger using the illustrated scale with equal prominence.
- ii. A table, for the Benchmark Index Account only, showing the minimum and maximum of the geometric average annual credited rates calculated in 4 (A).
- iii. For each Index Account illustrated, a table showing actual historical index changes and corresponding hypothetical annual rate of Indexed Credits using current index parameters for only the most recent 25-year period. For any Index Account where an index or indices have existed for fewer than 25 years, the historical period shall be limited to the length of its existence, or the date of inception of the index (meaning the date when the index itself was created, irrespective of when the underlying components were created). The table should include the historical geometric average return for the historical period shown, both for the actual historical index changes and the corresponding hypothetical annual rate of Indexed Credits using the current index parameters.

B. Neither the basic illustration nor the supplemental illustration may include the following:

- i. Historical returns, including historical geometric average returns, other than the historical returns required by Section 7.A.ii and Section 7.A.iii in this guideline.
- ii. Neither tables nor disclosures that either explicitly or implicitly compare historical returns and maximum illustrated rates, such as a side-by-side presentation.

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

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In the AG49 section on additional standards, there is a requirement to show a **20-year history** of **actual** index changes, and hypothetical credits based on those changes. This disclosure can illustrate the **volatility** in performance that can occur over time, compared to illustrations using a fixed illustrated rate.

Also in the AG49 section on additional standards, there is a requirement to have a table showing the min and max of the 25-year geometric averages **for the BIA** that are used in calculating the max illustrated rates. Just as a reminder, there is a single BIA for each policy.

Reviewing illustrations from 13 companies:

- Only one company did not include any historical averages or backcasting.
- The majority of companies included both.
- Five of the 12 companies added an additional chart displaying various historical average rates vs. the maximum illustrated rate.
- Some companies clearly labeled backcasted performance, while for others it was necessary to look up the index itself to identify that it was only recently created.

Where companies included historical averages (sometimes based on backcasting), they often showed multiple historical averages (e.g., 10-year, 15-year, 20-year, etc.) and often showed them side-by-side with the maximum illustrated rate. The historical averages were often 2-4x the maximum illustrated rate.

When companies were questioned about these disclosures, they noted that there was no explicit prohibition on including this information, and thought it showed consumers how the index may perform over different time periods.

This created a concern for regulators that these disclosures limit the effectiveness of AG49's maximum illustrated rate requirements.

Reviewing illustrations also highlighted that the length of the historical period shown varied across companies, with some showing a 20-year history and some showing a longer history. To address perceived optionality in the number of historical years shown (where the index or indices have been in existence for more than the 20-year history, the standard table is increased to 25 years and the language is clarified with "only".

Some regulators expressed that the 20-year history disclosure should be removed entirely, replaced by disclosures that simply illustrate the mechanics of the hypothetical credits based on index movements up, down, and a level index scenario. Because it is difficult if not impossible to create such scenarios that effectively show the impact for all different caps, etc., I am proposing a narrower edit to address the specific issue of the inconsistent historical periods, historical averages and backcasted performance.

Dates: Received	Reviewed by Staff	Distributed	Considered
Notes:			

## 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  
Ben Slutsker, Minnesota Department of Commerce

**Title of the Issue:**

Clarify the requirements of AG49 Section 7.B and 7.C, to address the observed practice of including of historical averages exceeding the maximum illustrated rate and backcasted performance.

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:

Section 7, Actuarial Guideline 49

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.)

### 3. Definitions

**G. Historical Period:** The Historical Period for an Index Account is the number of whole years between the most recent inception date of any Index utilized in the calculation of Indexed Credits and the date of the illustration. If the Index Account includes credits based on a blended Index or published composite Index that relies on reference to other Indices, then the Historical Period is determined based on the inception date of the blended or composite Index rather than the component Indices.

**H. Inception Date:** The Inception Date of an Index is the date on which the Index was launched and began tracking and reflecting market performance, and Index values were made publicly available.

**I. Index:** An Index is a financial benchmark that tracks the performance of market instruments or investment strategies whose published values are used directly in the calculation of Indexed Credits for an Index Account.

**Drafting Note:** Renumber the remaining definitions accordingly.

### 7. Additional Standards

**A. For policies sold prior to April 1, 2026, the basic illustration shall also include the following:**

i. A ledger using the Alternate Scale shall be shown alongside the ledger using the illustrated scale with equal prominence.

ii. A table showing the minimum and maximum of the geometric average annual credited rates calculated in 4 (A).

iii. For each Index Account illustrated, a table showing actual historical index changes and corresponding hypothetical Indexed Credits using current index parameters for the most recent 20-year period.

**Drafting Note:** The above language is the same as the current Section 7 wording in AG9 49-A, with the intention that illustrations for policies issued prior to April 1, 2026 will not need to comply with the 2025 requirements.

A.B. For policies sold on or after April 1, 2026, the basic illustration shall also include the following:

- i. A ledger using the Alternate Scale shall be shown alongside the ledger using the illustrated scale with equal prominence.
- ii. A table, for the Benchmark Index Account only, showing the minimum and maximum of the geometric average annual credited rates calculated in 4 (A).

iii. For each Index Account illustrated, a table showing actual historical ~~Index~~ changes and corresponding hypothetical annual rates of Indexed Credits using current ~~Index Account~~ parameters for only the most recent ~~2025~~-year period.

1. For any Index Account where an index or indices have existed for fewer than 25 years, the historical period shall be limited to the length of its existence, or the date of inception of the index (meaning the date when the index itself was created, irrespective of when the underlying components were created). For each Index Account illustrated, if the Historical Period is less than 5 years, then no table for that Index or Index Account shall be shown.

2. For each Index Account illustrated, if the Historical Period is at least 5 years but less than 25 years, then the table shall be limited to the Historical Period.

The table should include the historical geometric average return for the ~~historical~~ period shown, both for the actual ~~historical Index~~ changes and the corresponding hypothetical annual rate of Indexed Credits using the current ~~Index Account~~ parameters.

C. For policies sold on or after April 1, 2026, ~~neither the basic illustration nor the supplemental illustration may include the following:~~

- i. Historical returns, including historical geometric average returns, other than the historical returns required by Section 7.A.ii and Section 7.A.iii in this guideline.
- ii. Neither tables nor disclosures that either explicitly or implicitly compare historical returns and maximum illustrated rates, such as a side-by-side presentation.

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

In the AG49 section on additional standards, there is a requirement to show a **20-year history of actual** index changes, and hypothetical credits based on those changes. This disclosure can illustrate the **volatility** in performance that can occur over time, compared to illustrations using a fixed illustrated rate.

Also in the AG49 section on additional standards, there is a requirement to have a table showing the min and max of the 25-year geometric averages **for the BIA** that are used in calculating the max illustrated rates. Just as a reminder, there is a single BIA for each policy.

Reviewing illustrations from 13 companies:

- Only one company did not include any historical averages or backcasting.
- The majority of companies included both.

- Five of the 12 companies added an additional chart displaying various historical average rates vs. the maximum illustrated rate.
- Some companies clearly labeled backcasted performance, while for others it was necessary to look up the index itself to identify that it was only recently created.

Where companies included historical averages (sometimes based on backcasting), they often showed multiple historical averages (e.g., 10-year, 15-year, 20-year, etc.) and often showed them side-by-side with the maximum illustrated rate. The historical averages were often 2-4x the maximum illustrated rate.

When companies were questioned about these disclosures, they noted that there was no explicit prohibition on including this information, and thought it showed consumers how the index may perform over different time periods.

This created a concern for regulators that these disclosures limit the effectiveness of AG49's maximum illustrated rate requirements.

Reviewing illustrations also highlighted that the length of the historical period shown varied across companies, with some showing a 20-year history and some showing a longer history. To address perceived optionality in the number of historical years shown (where the index or indices have been in existence for more than the 20-year history, the standard table is increased to 25 years and the language is clarified with "only".

Some regulators expressed that the 20-year history disclosure should be removed entirely, replaced by disclosures that simply illustrate the mechanics of the hypothetical credits based on index movements up, down, and a level index scenario. Because it is difficult if not impossible to create such scenarios that effectively show the impact for all different caps, etc., I am proposing a narrower edit to address the specific issue of the inconsistent historical periods, historical averages and backcasted performance.

Dates: Received	Reviewed by Staff	Distributed	Considered
Notes:			





June 30, 2025

Rachel Hemphill,  
Chair, NAIC Life Actuarial (A) Task Force

Ben Slutsker  
Chair, NAIC Life and Annuity Illustration (A) Subgroup

Fred Andersen,  
Chair, NAIC Life and Annuity Illustration (A) Subgroup

Re: APF AG 49-A Section 7 exposed 04.02.25

Dear Chairs Hemphill, Slutsker and Andersen,

On behalf of the Life Illustration Subcommittee (the Subcommittee) of the American Academy of Actuaries,<sup>1</sup> I appreciate the opportunity to provide comments to the Life Actuarial Task Force (LATF) regarding APF AG 49-A Section 7 exposed for comment until June 30, 2025.<sup>2</sup> The Subcommittee reviewed the proposed amendment and its expressed purpose, and offers the following comments as well as the enclosed suggested edits to AG 49-A:

1. **Amendment Scope:** The Subcommittee had previously commented that the original draft of the proposed amendment would benefit from greater clarity as to its applicability to policies (1) under AG 49 and/or AG 49-A, and (2) in force and/or new business, as well as its implementation timeline (i.e., how long insurers would have to implement the new requirements). Please note in connection with this that although the file name of the exposed document is “APF AG 49-A Section 7 exposed 04.02.25” and it only mentions “Index Credits” which is a term specific to AG 49-A, the exposed document contains references to “AG49” and “Actuarial Guideline 49” and not to “AG 49-A” or “Actuarial Guideline 49-A.” Notwithstanding this apparent ambiguity, the Subcommittee believes that regulators may intend to amend (only) AG 49-A for policies sold on or after some (yet to be determined) future effective date. On this assumption, in its enclosed suggested edits to AG 49-A, the

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<sup>1</sup> The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For 60 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

<sup>2</sup> [APF AG49-A Section 7: NAIC; June 2025.](#)

Subcommittee has substituted a “Month Day Year” placeholder in place of AG 49-A’s original “December 14<sup>th</sup>, 2020” effective date.

2. **Definition of “index or indices existing”:** The Subcommittee had previously commented that in the original draft of the amendment, the concept of an index or indices being in existence did not seem well defined and asked if the inception date of the index or indices should be used to determine whether the index or indices existed. The Subcommittee had also pointed out that some crediting strategies are based on multiple component indices (either as a static or dynamic blend or on some kind of conditional crediting basis), and asked if the draft APF language was intended to mean that the most recent inception date for an index account’s component indices should be used.

The Subcommittee notes that the language in Section 7.A.iii of the exposed draft of the amendment has been expanded to clarify the concept of an index or indices being in existence and now incorporates the concepts of index inception date and component indices. While the Subcommittee believes the expanded language is an improvement over the originally proposed language that did not reference these concepts, the Subcommittee believes that its enclosed suggested edits to AG 49-A add further clarity to the concept of an index or indices being in existence.

In its enclosed suggested edits, the Subcommittee proposes (1) adding formal definitions of “Historical Period,” “Inception Date,” and “Index” to Section 3 of AG 49-A; (2) reorganizing the remainder of Section 7.A.iii accordingly; and (3) adding a five-year minimum for the number of years of historical index changes and corresponding hypothetical annual rates of indexed credits that can be shown (this last item is discussed further below). The Subcommittee believes that the inclusion of more formal and complete definitions of these three central concepts in Section 3 makes possible a more streamlined and clearer version of Section 7.A.iii.

3. **Minimum number of years that can be shown:** The Subcommittee wondered whether showing historical index changes and corresponding hypothetical annual rates of indexed credits for very few years (e.g., less than length of an average business cycle) might increase the possibility of confusion for consumers in cases where index performance may have been either unusually favorable or unfavorable. In the attached draft of 7.A.iii, the Subcommittee has included language that would establish a minimum number of five years.

However, if having a minimum number of years requirement is not a point of concern for regulators, or if there are other reasons that regulators feel that it would not be desirable to impose such a requirement, the Subcommittee’s enclosed suggested language for Section 7.A.iii could be revised to eliminate it as follows:

For each Index Account illustrated, a table showing actual historical Index changes and corresponding hypothetical annual rates of Indexed Credits using current Index Account parameters for only the most recent 25-year period. However, for each Index Account illustrated, if the Historical Period is less than 25 years then its table shall be limited to its Historical Period. The table shall include the historical geometric average return for the period shown, both for the actual historical Index changes and the corresponding hypothetical annual rates of Indexed Credits using the current Index Account parameters.

We hope that the Subcommittee's above comments will prove helpful to LATF. If there are any questions or if LATF would like to discuss these comments further, please contact [Amanda Barry-Moilanen](#), the Academy's life policy project manager.

Sincerely,

Brian R. Lessing, MAAA, FSA  
Chairperson, Life Illustrations Subcommittee  
American Academy of Actuaries

~~Adopted by Life Actuarial (A) Task Force 12/11/2022~~  
~~Adopted by Life Insurance and Annuities (A) Committee 2/24/2023~~

## Actuarial Guideline XLIX-A

### THE APPLICATION OF THE LIFE ILLUSTRATIONS MODEL REGULATION TO POLICIES WITH INDEX-BASED INTEREST SOLD (On or After **Month Day, YearDecember 14, 2020**)

#### Background

The *Life Insurance Illustrations Model Regulation* (#582) was adopted by the NAIC in 1995. Since that time there has been continued evolution in product design, including the introduction of benefits that are tied to an index or indices. Although these policies are subject to Model #582, not all of their features are explicitly referenced in the model, resulting in a lack of uniform practice in its implementation. In the absence of uniform guidance, two illustrations that use the same index and crediting method often illustrated different credited rates. The lack of uniformity can be confusing to potential buyers and can cause uncertainty among illustration actuaries when certifying compliance with Model #582.

This guideline provides uniform guidance for policies with index-based interest. In particular, this guideline:

- (1) Provides guidance in determining the maximum crediting rate for the illustrated scale and the earned interest rate for the disciplined current scale.
- (2) Limits the policy loan leverage shown in an illustration.
- (3) Requires additional consumer information (side-by-side illustration and additional disclosures) that will aid in consumer understanding.

#### Text

##### 1. Effective Date

This Actuarial Guideline shall be effective for all new business and in force illustrations on policies sold on or after **Month Day, YearDecember 14, 2020**.

##### 2. Scope

This Actuarial Guideline shall apply to any life insurance illustration that meets both (i) and (ii), below:

- i. The policy is subject to Model #582.
- ii. The policy offers Indexed Credits.

##### 3. Definitions

A. Alternate Scale: A scale of non-guaranteed elements currently being illustrated such that:

- i. The Annual Rate of Indexed Credits for each Index Account does not exceed the lesser of the maximum Annual Rate of Indexed Credits for the illustrated scale less 100 basis points and the credited rate for the Fixed Account. If the insurer does not offer a Fixed Account with the illustrated policy, the Annual Rate of Indexed Credits for each Index Account shall not exceed the average of the maximum Annual Rate of Indexed Credits for the illustrated scale and the guaranteed Annual Rate of Indexed Credits for that account. However, the Annual Rate of Indexed Credits for each Index Account shall never be less than the

guaranteed Annual Rate of Indexed Credits for that account.

- ii. If the illustration includes a loan, the illustrated Policy Loan Interest Credited Rate shall not exceed the illustrated Policy Loan Interest Rate. For example, if the illustrated Policy Loan Interest Rate is 4%, the Policy Loan Interest Credited Rate shall not exceed 4%.
  - iii. All other non-guaranteed elements are equal to the non-guaranteed elements for the illustrated scale.
- B. Annual Net Investment Earnings Rate: Gross portfolio annual earnings rate of the general account assets (excluding hedge assets for Indexed Credits), less provisions for investment expenses and default cost, allocated to support the policy. Charges of any kind cannot be used to increase the Annual Net Investment Earnings Rate.
- C. Annual Rate of Indexed Credits: The total annualized Indexed Credits expressed as a percentage of the account value used to determine the Indexed Credits.
- D. Benchmark Index Account: An Index Account with the following features:
- i. The interest calculation is based on the percent change in S&P 500® Index value only, over a one-year period using only the beginning and ending index values. (S&P 500® Index ticker: SPX)
  - ii. An annual cap is used in the interest calculation.
  - iii. The annual floor used in the interest calculation shall be 0%.
  - iv. The participation rate used in the interest calculation shall be 100%.
  - v. Interest is credited once per year.
  - vi. The Hedge Budget used to determine the cap in 3 (D) (ii) does not exceed the Annual Net Investment Earnings Rate. Charges of any kind cannot be used to increase the annual cap.
  - vii. There are no enhancements or similar features that provide additional Indexed Credits in excess of the interest provided by 3 (D) (i) through 3 (D) (v), including but not limited to experience refunds, multipliers, or bonuses.
  - viii. There are no limitations on the portion of account value allocated to the account.
  - ix. A single Benchmark Index Account will be determined for each policy. This can be either an Index Account offered with the illustrated policy or determined according to Section 4 (A) (ii) for purposes of complying with this guideline. A policy shall have no more than one Benchmark Index Account.

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Appendix C

- E. Fixed Account: An account where there are no Indexed Credits.
- F. Hedge Budget:** For each Index Account, the total annualized amount assumed to be used to generate the Indexed Credits of the account, expressed as a percent of the account value in the Index Account. This total annualized amount should be consistent with the hedging program of the company.
- ~~F.~~ G. Historical Period:** The Historical Period for an Index Account is the number of whole years between the most recent inception date of any Index or Indices utilized in the calculation of Indexed Credits and the date of the illustration.
- H. Inception Date:** The Inception Date of an Index is the date on which the Index was launched and began tracking and reflecting market performance, and Index values were made publicly available.
- I. Index:** An Index is a financial benchmark that tracks the performance of market instruments or investment strategies whose published values are used directly in the calculation of Indexed Credits -for an Index Account.
- ~~G.~~ J. Index Account:** An account where some or all of the amounts credited are Indexed Credits.
- ~~H.~~ K. Indexed Credits:** Any interest credit, multiplier, factor, bonus, charge reduction, or other enhancement to policy values that is linked to an index or indices. Amounts credited to the policy resulting from a floor greater than zero on an account with any interest credit, multiplier, factor, bonus, charge reduction, or other enhancement to policy values that is linked to an index or indices are included.
- ~~I.~~ L. Loan Balance:** Any outstanding policy loan and loan interest, as defined in the policy.
- ~~J.~~ M. Policy Loan Interest Rate:** The current annual interest rate as defined in the policy that is charged on any Loan Balance. This does not include any other policy charges.
- ~~K.~~ N. Policy Loan Interest Credited Rate:** The annualized interest rate credited that applies to the portion of the account value backing the Loan Balance:
- For the portion of the account value in the Fixed Account that is backing the Loan Balance, the Policy Loan Interest Credited Rate is the applicable annual interest crediting rate.
  - For the portion of the account value in an Index Account that is backing the Loan Balance, the Policy Loan Interest Credited Rate is the Annual Rate of Indexed Credits, net of any applicable Supplemental Hedge Budget, for that account.
- ~~L.~~ O. Supplemental Hedge Budget:** For each Index Account, the Hedge Budget minus the minimum of the Annual Net Investment Earnings Rate and the Hedge Budget that is used in the determination of the Benchmark Index Account. The Supplemental Hedge Budget will never be less than zero. This amount should be consistent with the hedging program of the company.

4. Illustrated Scale

The total Annual Rate of Indexed Credits for the illustrated scale for each Index Account shall be limited as follows:

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- A. Calculate the geometric average annual credited rate for the Benchmark Index Account for the 25-year period starting on 12/31 of the calendar year that is 66 years prior to the current calendar year (e.g., 12/31/1949 for 2015 illustrations) and for each 25-year period starting on each subsequent trading day thereafter, ending with the 25-year period that ends on 12/31 of the prior calendar year.
- i. If the insurer offers a Benchmark Index Account with the illustrated policy, the illustration actuary shall use the current annual cap for the Benchmark Index Account in 4 (A).
  - ii. If the insurer does not offer a Benchmark Index Account with the illustrated policy, the illustration actuary shall use actuarial judgment to determine a hypothetical, supportable current annual cap for a hypothetical, supportable Index Account that meets the definition of the Benchmark Index Account, and shall use that cap in 4 (A).
- B. For the Benchmark Index Account the Annual Rate of Indexed Credits shall not exceed the minimum of (i) and (ii):
- i. The arithmetic mean of the geometric average annual credited rates calculated in 4 (A).
  - ii. 145% of the Annual Net Investment Earnings Rate.
- C. For any other Index Account that is not the Benchmark Index Account in 3 (D), the Annual Rate of Indexed Credits illustrated as a percentage of the account value in the Index Account prior to the deduction of any charges used to fund a Supplemental Hedge Budget shall not exceed the minimum of (i) and (ii) for policies sold prior to May 1, 2023 and shall not exceed the minimum of (i), (ii), and (iii) for policies sold on or after May 1, 2023:
- i. The Annual Rate of Indexed Credits for the Benchmark Index Account calculated in 4 (B) plus the Supplemental Hedge Budget for the Index Account.
  - ii. The Annual Rate of Indexed Credits reflecting the fundamental characteristics of the Index Account and the appropriate relationship to the expected risk and return of the Benchmark Index Account. The illustration actuary shall use actuarial judgment to determine this value using lookback methodology consistent with 4 (A) and 4 (B) (i) where appropriate.
  - iii. The lesser of (1) and (2) multiplied by the Annual Rate of Index Credits for the Benchmark Index Account, calculated in 4 (B), divided by (2); plus, the Supplemental Hedge Budget for the Index Account:
    - 1. The Hedge Budget of the Index Account
    - 2. Hedge Budget of the Benchmark Index Account.
- D. For the purposes of compliance with Section 6 (C) of Model #582, the Supplemental Hedge Budget is subtracted from the Annual Rate of Indexed Credits before comparing to the earned interest rate underlying the disciplined current scale.

At the beginning of each calendar year, the insurer shall be allowed up to three (3) months to update the credited rate for each Index Account in accordance with 4 (B) and 4 (C).

5. Disciplined Current Scale

The earned interest rate for the disciplined current scale shall be limited as follows:

- A. If an insurer engages in a hedging program for Indexed Credits in an account, the assumed earned interest rate underlying the disciplined current scale for that account, inclusive of all general account assets, both hedge and non-hedge assets, that support the policy, net of default costs and investment expenses (including the amount spent to generate the Indexed Credits of the policy) shall not exceed the lesser of (i) and (ii):
- i. The Annual Net Investment Earnings Rate, plus 45% of the lesser of (1) and (2):
    1. Hedge Budget minus any annual floor, to the extent that the floor is supported by the Hedge Budget.
    2. The minimum of the Annual Net Investment Earnings Rate and the Hedge Budget that is used in the determination of the Benchmark Index Account.
  - ii. The Annual Rate of Indexed Credits plus the Annual Net Investment Earnings Rate minus the Hedge Budget.

These rates should be adjusted for timing differences in the hedge cash flows to ensure that fixed interest is not earned on the Hedge Budget minus any annual floor, to the extent that the floor is supported by the Hedge Budget.

Guidance Note: The above approach does not stipulate any required methodology as long as it produces a consistent limit on the assumed earned interest rate underlying the disciplined current scale.

For a policy with multiple Index Accounts, a maximum rate in 5 (A) should be calculated for each account. All accounts, fixed and indexed, within a policy can be tested in aggregate.

- B. If an insurer does not engage in a hedging program for Indexed Credits, the assumed earned interest rate underlying the disciplined current scale shall not exceed the Annual Net Investment Earnings Rate.
- C. These experience limitations shall be included when testing for self-support and lapse-support under Model #582, accounting for all illustrated benefits including any illustrated benefits and bonuses that impact the policy's account value.

6. Policy Loans

If the illustration includes a loan, the illustrated Policy Loan Interest Credited Rate shall not exceed the illustrated Policy Loan Interest Rate by more than 50 basis points. For example, if the illustrated Policy Loan Interest Rate is 4.00%, the Policy Loan Interest Credited Rate shall not exceed 4.50%.

7. Additional Standards

**A.** The basic illustration shall also include the following:

- A.i.** A ledger using the Alternate Scale shall be shown alongside the ledger using the illustrated scale with equal prominence.
- B.ii.** A table, **for the Benchmark Index Account only**, showing the minimum and maximum of the geometric average annual credited rates calculated in 4 (A).



**iii.** For each Index Account illustrated, a table showing actual historical Index changes and corresponding hypothetical **annual rates** of Indexed Credits using current Index **Account** parameters for **only** the most recent **2025**-year period.

**1.** For each Index Account illustrated, if the Historical Period is less than five (5) years then no table for that Index Account shall be shown.

**2.** For each Index Account illustrated, if the Historical Period is at least five (5) years but less than 25 years then the table shall be limited to the Historical Period.

The table should include the historical geometric average return for the **period** shown, both for the actual historical Index changes and the corresponding hypothetical annual rate of Indexed Credits using the current Index **Account** parameters.

**B.** Neither the basic illustration nor the supplemental illustration may include the following:

- i. Historical returns, including historical geometric average returns, other than the historical returns required by Section 7.A.ii and Section 7.A.iii in this guideline.
- ii. Neither tables nor disclosures that either explicitly or implicitly compare historical returns and maximum illustrated rates, such as a side-by-side presentation.

**Brian Bayerle**  
Chief Life Actuary  
202-624-2169  
[BrianBayerle@accli.com](mailto:BrianBayerle@accli.com)

June 20, 2025

Rachel Hemphill,  
Chair, NAIC Life Actuarial (A) Task Force (LATF)

Ben Slutsker,  
Chair, NAIC Life and Annuity Illustration (A) Subgroup

Re: April Exposure of Revisions to Actuarial Guideline (AG) 49-A Section 7

Dear Chair Hemphill and Mr. Andersen:

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide feedback on the April 2<sup>nd</sup> exposure of revisions to Section 7 of AG 49-A. We appreciate the concerns raised by regulators on this issue, and we have the following feedback regarding the exposure. Our proposed revisions can be found as Appendix A.

Section 7.A.ii states only the Benchmark Index Account (BIA) can be shown in the table of minimum and maximum of the geometric average annual credited rates. However, a BIA may not be offered for a policy, so it is unclear what the company would show. We suggest for clarification specifying that a hypothetical BIA might be used in this table.

We recommend making this proposal prospective only. The nature of the change would provide limited value to policyholders who might be confused by a change from prior illustrations. Additionally, companies will require sufficient time to implement the change. Given the anticipated timing of the adoption, we recommend aligning this requirement with the existing required update to the credited rate in Section 4.D within 3 months of the start of the year. Creating a separate implementation timing would create duplicative work for companies that would not add value to policyholders. We recommend retaining the existing Section 7 as Section 7.A, with the new requirements as Sections 7.B and 7.C that would apply to policies sold on or after 4/1/2026.

We appreciate the consideration of our recommendations, and we look forward to further discussion of the Guideline.

Sincerely,

American Council of Life Insurers | 101 Constitution Ave, NW, Suite 700 | Washington, DC 20001-2133

The American Council of Life Insurers is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 275 member companies represent 93 percent of industry assets in the United States.  
[accli.com](http://accli.com)

A handwritten signature in cursive script, appearing to read "B. Bonferli".

CC: Jennifer Frasier, NAIC  
Scott O'Neal, NAIC

## 7. Additional Standards

- A. ~~For policies sold prior to April 1, 2026, The the~~ basic illustration shall also include the following:
- i. A ledger using the Alternate Scale shall be shown alongside the ledger using the illustrated scale with equal prominence.
  - ii. A table, ~~for the Benchmark Index Account only,~~ showing the minimum and maximum of the geometric average annual credited rates calculated in 4 (A).
  - iii. For each Index Account illustrated, a table showing actual historical index changes and corresponding hypothetical annual rate of Indexed Credits using current index parameters for ~~only~~ the most recent ~~25-year~~ 20-year period. ~~For any Index Account where an index or indices have existed for fewer than 25 years, the historical period shall be limited to the length of its existence, or the date of inception of the index (meaning the date when the index itself was created, irrespective of when the underlying components were created). The table should include the historical geometric average return for the historical period shown, both for the actual historical index changes and the corresponding hypothetical annual rate of Indexed Credits using the current index parameters.~~
- B. ~~For policies sold on or after April 1, 2026, The the~~ basic illustration shall also include the following:
- i. A ledger using the Alternate Scale shall be shown alongside the ledger using the illustrated scale with equal prominence.
  - ii. A table, for the ~~hypothetical or actual~~ Benchmark Index Account only, showing the minimum and maximum of the geometric average annual credited rates calculated in 4 (A).
  - iii. For each Index Account illustrated, a table showing actual historical index changes and corresponding hypothetical annual rate of Indexed Credits using current index parameters for only the most recent 25-year period. For any Index Account where an index or indices have existed for fewer than 25 years, the historical period shall be limited to the length of its existence, or the date of inception of the index (meaning the date when the index itself was created, irrespective of when the underlying components were created). The table should include the historical geometric average return for the historical period shown, both for the actual historical index changes and the corresponding hypothetical annual rate of Indexed Credits using the current index parameters.
- C. ~~For policies sold on or after April 1, 2026, Neither neither~~ the basic illustration nor the supplemental illustration may include the following:
- i. Historical returns, including historical geometric average returns, other than the historical returns required by Section 7.A.ii and Section 7.A.iii in this guideline.
  - ii. Neither tables nor disclosures that either explicitly or implicitly compare historical returns and maximum illustrated rates, such as a side-by-side presentation.

Comment from the State of Connecticut Insurance Department:

- Whenever an index/indices has existed less than 25-years and thus has insufficient credible historical performance data AND whenever ANY index/indices desires to illustrate performance at less than the 25-years of performance data, both should require a default to the maximum illustrated rate.



**Valmark Financial Group, LLC**  
130 Springside Drive  
Akron, OH 44333  
P 330-576-1234 TF 800-765-5201

April 11<sup>th</sup>, 2025

**VIA EMAIL [jfrasier@NAIC.org](mailto:jfrasier@NAIC.org)**

Ms. Jennifer Fraiser  
Life Examination Actuary  
Financial Regulatory Services, NAIC

Re: **Clarification of the requirements of Actuarial Guideline XLIX-A ("AG49")  
Sections 7.B and 7.C**

Dear Ms. Fraiser,

Thank you for the opportunity to comment on the Amendment Proposal Form providing clarifications to AG49-A Sections 7.B and 7.C exposed on April 2, 2025, by the Chair of the Life and Annuity Illustration (A) Subgroup of the Life Actuarial (A) Task Force.

For the fourth consecutive regulatory cycle, I am compelled to address the NAIC regarding the persistent and increasingly sophisticated manipulation of Index Universal Life (IUL) product illustrations. Despite previous regulatory interventions, carriers continue to circumvent the spirit of existing guidelines, resulting in systematic consumer harm through presentations that bear little resemblance to actual policy performance.

The evidence is unambiguous: today's IUL illustrations create expectations that are mathematically impossible to fulfill under real-world conditions. It is my sincere hope that this letter presents the case for immediate and comprehensive reform.

The continued exploitation of Actuarial Guideline 49 Sections 7.B and 7.C permits widespread misrepresentation through historical averages and back-tested performance that exceeds maximum illustrated rates—creating a clear and present danger to consumer financial security.

**[WWW.VALMARKFG.COM](http://WWW.VALMARKFG.COM)**

### **About Valmark Financial Group**

Valmark Financial Group, through our affiliated broker-dealer Valmark Securities, Inc., serves as a fiduciary partner to a nationwide network of financial professionals. Our organization oversees approximately \$70 billion of in-force life insurance and \$4 billion in annuity deposits, while our affiliated SEC-registered investment adviser, Valmark Advisers, manages over \$10.5 billion in assets. For more than six decades, we have championed the responsible application of insurance solutions to address fundamental financial risks—premature death, longevity, and wealth transfer efficiency.

### **Documented Pattern of Abuse**

Since the introduction of IUL products, our firm has consistently tempered expectations on actual returns that consumers should expect. We have documented and reported that illustrations systematically overstate the benefits policyholders can reasonably expect to receive. Despite multiple regulatory interventions, carriers have consistently developed new mechanisms to manipulate cap rates and leverage hypothetical back-tested projections that create mathematically improbable outcomes.

This is not merely a theoretical concern but a documented reality. Our firm regularly conducts comprehensive reviews for policyholders who experience significant discrepancies between illustrated and actual performance. A recurring client inquiry exemplifies the problem: *"How could my IUL policy, purchased in 2022, return only 0-3% a year in 2023-2024 when the S&P 500 ETF returned 56% during this same period?"* The answer lies in the fundamental disconnect between illustration methodology and actual product mechanics, compounded by increasingly aggressive marketing claims. The repeated need for regulatory intervention—now in its fourth iteration—demonstrates the ineffectiveness of previous NAIC attempts to curb these abuses.

### **Regulatory Asymmetry Creating Consumer Harm**

A dangerous regulatory double standard exists between securities and insurance oversight. While the SEC and FINRA enforce stringent standards prohibiting speculative performance projections, state insurance regulations permit practices that would result in severe penalties in other financial sectors:

- **Proprietary Index Exploitation:** Carriers routinely introduce proprietary indexes with no meaningful track record, illustrated using cherry-picked historical scenarios that would likely constitute fraud under securities regulations.



- **Systematic Mischaracterization:** Agents frequently portray AG49's maximum illustrated rates as "conservative baselines" rather than theoretical upper limits, creating unrealistic expectations on policy crediting. Unscrupulous agents regularly tell prospects, "I am being conservative in showing you a 6% rate on this product (the AG49 limited rate). As you can see, the actual "historical" rate this 'fund' has earned is 9%."
- **Documented Financial Damage:** Clients who finance IUL purchases through premium financing arrangements magnify particular risks, as the combination of disappointing returns and costs of insurance and increasing lending rates from banks results in significant financial losses. These arrangements have created a "financial catastrophe for almost everyone who has entered into one of these transactions," based on our field observations.

The contrast is stark: practices that would trigger immediate regulatory action under SEC or FINRA jurisdiction continue unabated under the current insurance regulatory framework. Because our firm supervises IUL as though it were a security sold under both FIRNA and SEC rubrics, our review and approval process for sales materials stands in sharp contrast to the minimal oversight of insurance marketing materials.

### **The "Triple Pinocchio Award"**

While many general account insurance products have missed projections in a declining interest rate environment, IUL policies deserve what we call the "triple Pinocchio award" for the most irresponsible overselling of promised benefits since their inception. The gap between promised performance and actual results is particularly egregious with the prevalent use of proprietary indexes in IUL products. The fact that these indexes averaged only 1.88% positive return in 2023 and less than 1% in 2024<sup>1</sup> should tell the consumer they might have a better chance of winning the lottery than they do of getting close to the claimed back-tested returns. These indexes should be recognized for what they are: the "financial equivalent of snake oil patent medicines."

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<sup>1</sup> 2025 Forum 400 Presentation: "The Past, Present and Future of Premium Finance," by Bobby Samuelson, Editor of the Life Product Review.



### **Consequences of Regulatory Failure**

Failure to implement comprehensive reform has had, and will continue to have, predictable and severe consequences:

- Escalation of consumer financial harm as policies fail to meet illustrated expectations;
- Growth of litigation exposure for carriers as class action lawsuits and RICO cases proliferate against carriers and distributors designing and promoting these products; and,
- Erosion of public trust in insurance regulation, potentially triggering federal intervention.

The NAIC's current proposal represents incremental progress but remains insufficient to address the scale and sophistication of current abuses. More comprehensive reform is essential to restore integrity to the IUL marketplace.

Among other things, this more comprehensive reform should include:

#### **1. Implementing Section 7.A(iii) Without Compromise**

We unequivocally support the proposed limitation that any index with fewer than 25 years of actual performance history must use only verifiable data from its inception date. This requirement represents the minimum acceptable standard for consumer protection.

#### **2. Eliminating All Back-Tested Returns in Illustrations**

The practice of projecting policy performance based on hypothetical or synthetic index construction must be categorically prohibited. Consumers are only now facing the harsh reality of the real-world performance of these synthetic indexes, with actual returns failing to exceed even a 3% return in 2023-2024

#### **3. Establishing Uniform Illustration Standards**

All IUL illustrations should be required to use the same rate credited to general account products. This approach, which I fully supported, came within a single vote of NAIC endorsement and would eliminate the current perverse incentive to create exotic indexes designed solely to maximize illustrated performance.

## Conclusion

Since the 2010 vacation of SEC Rule 151A, which was designed to clarify that index products were securities under federal law, and Dodd-Frank's affirmation that same year that indexed products were exempt from the definition of a security, "fixed" index products have been remanded to the jurisdiction of state insurance regulation. In the ensuing 15 years, the premise that these products are simple and do not need additional disclosure, oversight, or suitability standards has proven false time and time again as these products have increased in complexity.

The persistent exploitation of regulatory gaps in IUL illustration requirements represents a systemic threat to consumer financial security and the credibility of state insurance regulation. If state-based insurance oversight is to remain viable in the face of growing federal scrutiny, it must evolve to provide protections comparable to those governing securities and investment products.

The NAIC has been slow to act on abuses and tepid in reforms to protect consumers as problems have mounted. A strengthened, unambiguous, and vigorously enforced AG49 is not merely desirable, it is imperative for preserving consumer trust and preventing further financial harm. The time has come to close the gap in consumer protections with other financial products, beginning with strong action on deceptive Index marketing materials

Very truly yours,



Lawrence J. Rybka

Chairman & CEO  
Valmark Financial Group, LLC

## Agenda Item 4

Discuss the Work of the Generator of Economic  
Scenarios (GOES) (E/A) Subgroup



## Agenda

1. GOES Status Update
2. APF 2025-04 Highlights
3. Next Steps
4. Model Governance Discussion

# GOES Status Update

## Principle-Based Reserves

- Amendment Proposal Form (APF) 2025-04, to effectuate the GOES into the *Valuation Manual*, was adopted by the Life Insurance and Annuities (A) Committee on July 14<sup>th</sup>.
- It will be considered for final adoption at the Joint Meeting of the Executive (EX) Committee and Plenary on August 13<sup>th</sup>.

## Risk-Based Capital (RBC)

- Joint meetings of the Life RBC (E) Working Group and Variable Annuities Capital and Reserve (E/A) Subgroup are being held to effectuate GOES into RBC calculations and consider methodology changes (e.g. change in C3 Phase II metric).
- Revisions to the RBC Instructions for C3 Phase I and C3 Phase II were exposed on July 22 for comment until September 19.

# APF 2025-04 Highlights

## Effectuate GOES

- GOES will be effective for VM-20, VM-21, and VM-22 starting 1/1/26

## SET Updates

- Moving from best- to prudent-estimate basis for SERT
- Allowing use of passing SERT results from past 3-years

## Phase-In

- Companies can elect 36-month optional phase-in
- Phase-in applies to VM-20 and VM-21, not VM-22

## Non-Prescribed Generators

- Non-prescribed generators are allowed in VM-20, VM-21, and VM-22 if they do not materially understate or bias downward reserves or TAR

## Scenario Picking

- Scenario selection methodology no longer prescribed
- Companies must meet approximations, simplification, and modeling efficiency technique requirements

## Governance

- Valuation Manual references the GOES model governance framework and creates process for LATF to review and approve

## Next Steps

- **Risk-Based Capital**

- C3 Phase I and C3 Phase II RBC Instructions exposure will be discussed at joint meetings of the Life RBC (E) Working Group and Variable Annuities Capital and Reserve (E/A) Subgroup after the exposure period ends on September 19.

- **Documentation**

- The NAIC and Conning will work to enhance and combine GOES documentation.

- **Production Scenarios**

- Conning and the NAIC plan to begin releasing scenario sets as of business day  $t + 1$  for the 9/30/25 valuation date.

- **Model Governance**

- Will look to continue discussions of model governance at GOES SG meetings starting back up in mid to late August.



# GOES Model Governance



# Updates to GOES Model Governance Framework

## Governance Roles

- Conning responsible for developing and maintaining ancillary tools (e.g. scenario selection tool)
- NAIC Staff independently produces and reviews statistics prior to signoff
- GOES (E/A) SG (Model Steward) responsible for change requests with input from interested parties

## Scope of Governance Framework

- The Robust Data Set, API, and all other non-prescribed Conning product offering were removed from the scope of the governance framework.
- The removal of these items allows the NAIC to focus on the prescribed scenarios and removes potential confusion regarding use of non-prescribed generators.

## Updates (continued): Fallback Plan (II.C)

Category	Description	Mitigation Plan
<b>Minor Validation Error - Caught Prior to Posting</b>	This situation would occur when an issue was found during the validation process by either Conning or the NAIC and the issue could be addressed such that scenarios could be posted by the second business day following the previous month-end.	NAIC Staff would communicate the issue as soon as it is discovered on the first business day following the month-end, along with a timeframe for when scenarios are expected to be posted.
<b>Major Validation Error - Caught Prior to Posting</b>	This situation would occur when an issue was found during the validation process by either Conning or the NAIC that is unable to be addressed such that scenarios can be posted by the second business day following month-end.	NAIC Staff would communicate the issue as soon as it is discovered on the first business day following the month-end. Companies would be instructed to utilize prior month-end scenarios with adjustments as necessary for the current month's valuation. Model governance enhancements to avoid the issue would be developed, adopted by LATF and the LRBC WG, and implemented following the issue.
<b>Minor Scenario Error - Caught after Posting</b>	This issue could occur when a user of the scenarios discovers an error with the scenario set after they have been posted to the scenario website that is expected to have an immaterial impact to company valuations.	NAIC Staff would communicate the issue as soon as it is discovered. Model governance enhancements to avoid the issue would be developed, adopted by LATF and the LRBC WG, and implemented following the issue.

## Updates (continued): Fallback Plan (II.C)

Category	Description	Mitigation Plan
<b>Major Scenario Error - Caught after Posting</b>	This issue could occur when a user of the scenarios discovers an error after they have been posted to the scenario website that is expected to have a material impact to company valuations.	NAIC Staff would communicate the issue as soon as it is discovered. A meeting of the GOES (E/A) Subgroup would be scheduled to fully disclose the issue and discuss potential remedies. If the scenario set fell on a quarter- or year-end, additional guidance may be given by regulators to address the handling of the error (e.g. guidance to estimate a topside adjustment to reserves, utilize a scenario set from a previous month). Model governance enhancements to avoid the issue would be developed, adopted by LATF and the LRBC WG, and implemented following the issue.
<b>Conning Scenario Website Down</b>	The website <a href="https://naic.conning.com/scenariofiles">https://naic.conning.com/scenariofiles</a> is down and companies are unable to download scenario files.	NAIC Staff would communicate the issue as soon as it is discovered. Scenario files could be posted to the GOES Sharepoint site as an alternative for companies to download.
<b>Conning unable to generate scenario files</b>	Conning is unable to generate scenario files due to issue such as cloud outage or other business continuity event.	NAIC Staff would communicate the issue as soon as it is discovered, and a revised timeline for posting scenarios could be provided. The GEMS® software would be used by NAIC Staff to generate the scenarios.

## Updates (continued): Annual Model Review (VI.B)

### Annual Model Review and Update

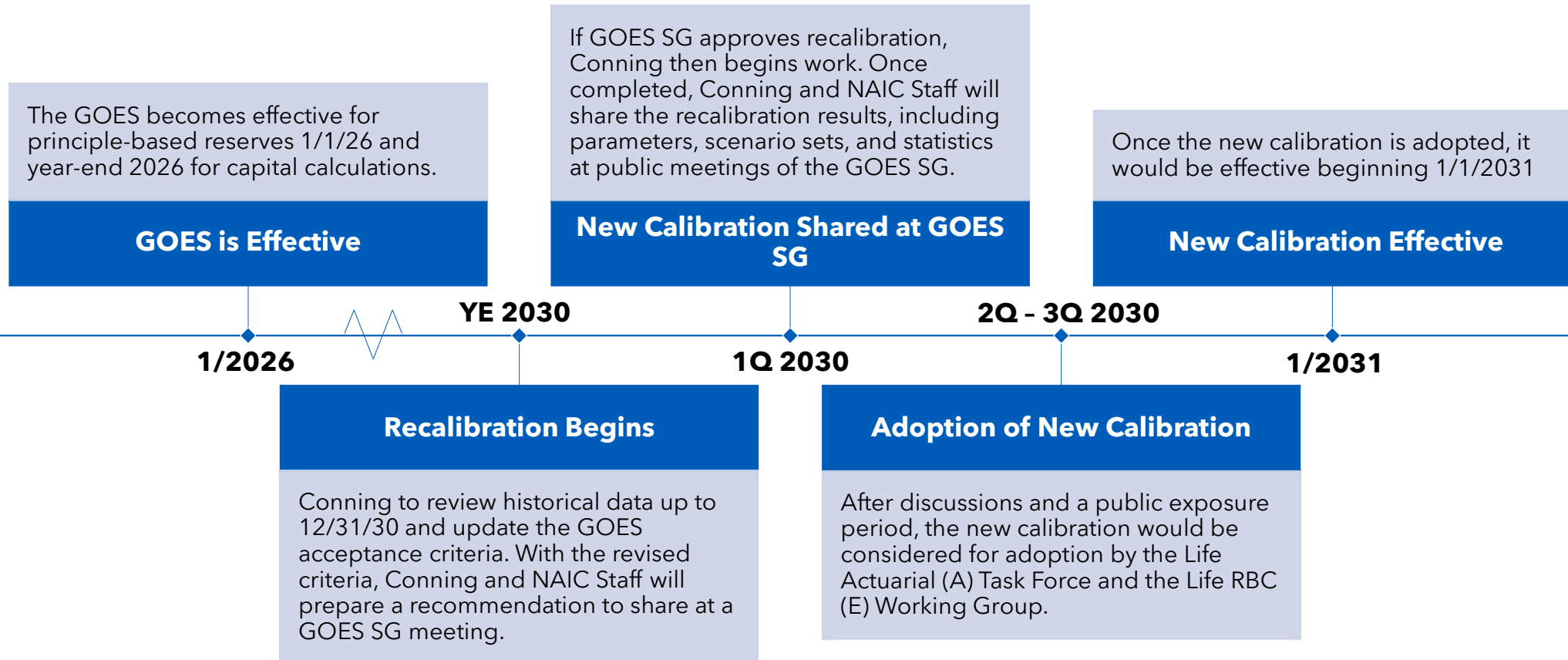
- At the beginning of each year, Conning and NAIC Staff will undertake an annual review of the GOES and provide a back-testing report comparing the projected results to the actual previous year data.
- As part of the review Conning and NAIC Staff will make a recommendation as to whether the model parameters should be revised or left unchanged.
- The back-testing report, along with the recommendation, will be posted on the NAIC/Conning scenario website in the first quarter of the year and provided to GOES (E/A) Subgroup leadership.
- If there is a recommendation to change the model parameters, a public discussion of the GOES (E/A) Subgroup will be called to discuss and determine a course of action.

## Updates (continued): Annual Model Review (VI.B)

### Software Version Update

- Updates to the GEMS® software version used to produce the monthly GOES scenarios will also be considered during the annual review process.
- As part of Conning's normal course of business, they fix bugs and/or make enhancements to their software on a roughly monthly basis. However, all clients have the option of running previous versions of the software.
- During the annual process, Conning and NAIC Staff will perform testing of the GOES using the latest version of the software to determine whether there were any impacts to the scenarios.
- Results of the software version testing along with a recommendation on acceptance of a new version of the software will be posted to the NAIC/Conning Scenario website and provided to the leadership of the GOES (E/A) Subgroup.
- If there are any changes to the scenarios as the result of the software update, a meeting of the GOES (E/A) Subgroup would be held to discuss and determine a course of action.

# Updates (continued): 5-Year Recalibration Cycle (VI.C)



# Additional Discussion Items: External Auditor

## Interested Party Comments

- SOX/MAR attestations are usually provided *after independent testing* (e.g., by an auditor). Will such testing be required for GOES, or will this be a self-attestation (i.e., no independent testing)?
- If a company had developed or were running an economic scenario generator for material GAAP / statutory balances, the generator would likely be in scope for periodic independent testing. Companies outsourcing work affecting financial reporting often require service providers to have a third-party audit and report on their controls (e.g., Service Organization Control (SOC 1) reports).

## Ideas for Discussion

- NAIC Staff recommend consideration of external audit of GOES scenario delivery as a "Day II" item.
- Significant effort required to determine scope of external audit, go through NAIC budgeting process, approval by NAIC Executive Committee, select an auditor, etc.
- Additional expense would be involved with setting up SOC 1 reports for the GOES model governance/scenario delivery process.



## **DRAFT FOR DISCUSSION**

# **Generator of Economic Scenarios (GOES) Model Governance Framework**

### **Note:**

**Throughout this document, questions and specific topics for discussion are highlighted in yellow.**



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## I. Background

### A. Purpose of the GOES Model Governance Framework

The Generator of Economic Scenarios (GOES) Model Governance Framework is designed to mitigate risk by providing governance and controls for models producing scenarios used in calculations of life and annuity Statutory reserves according to the *Valuation Manual* (VM-20, VM-21, and VM-22) and capital under the NAIC RBC requirements (C3 Phase 1, C3 Phase 2). The requirements of the Model Governance Framework also apply to ancillary tools (e.g. scenario ~~reduction~~ selection tool) and models that produce scenario statistics.

Actuarial Standard of Practice No. 56, *Modeling* (ASOP No. 56) defines **Model Risk** as “The risk of adverse consequences resulting from reliance on a mo

del that does not adequately represent that which is being modeled, or the risk of misuse or misinterpretation.”

The ASOP No. 56 defines **Governance and Controls** as “The application of a set of procedures and an organizational structure designed to reduce the risk that the model output is not reliably calculated or not utilized as intended,” and states that the actuary should use, or, if appropriate, may rely on others to use, reasonable governance and controls to mitigate model risk.

This document is intended to provide a comprehensive governance framework including appropriate controls, monitoring, and oversight to ensure the quality of the GOES models so they can be trusted and relied upon for their intended use.

### B. Importance of a Model Governance Framework

A model governance framework is critically important for the GOES and ancillary tools for several reasons:

1. Many companies will be using the GOES scenarios, and they may have a material financial impact.
2. The framework will implement and provide documentation of controls designed to prevent or mitigate human error.
3. The transparency of the framework should aid in understanding any model limitations, so that conclusions drawn from model results are properly informed.
4. The framework should ensure that models meet their intended purpose. ASOP No. 56 defines **Intended Purpose** as “The goal or question, whether

**Commented [RH1]:** Not clear if the roles are laid out for these other tools below.

**Commented [SO2R1]:** SO: Added responsibility in roles below.

**Formatted:** Indent: Left: 0"

generalized or specific, addressed by the model within the context of the assignment.” Section 3.1.2 of the ASOP states that “When selecting, reviewing, or evaluating the model, the actuary should confirm that, in the actuary’s professional judgment, the model reasonably meets the intended purpose.”

The framework includes a process for model selection and scheduled reviews. There are also off-cycle reviews (where necessary) intended to ensure that models continue to meet their intended purpose throughout their life cycles.

5. The framework should improve efficiency, avoiding re-work and confusion regarding expectations. Documented processes and procedures will enable model developers and reviewers to implement changes more quickly.
6. There is a possibility that unexpected issues will occur, despite best efforts. The framework provides a process for identification, escalation, and resolution of issues if they arise.

### C. Components of the GOES Model Governance Framework

Components of the Model Governance Framework include:

1. Roles and Responsibilities  
The roles and responsibilities of all stakeholders involved in the implementation and maintenance of the model are documented (see Sections II and III). Parties are designated to act as ~~model user~~ **Model User**, model developer, model owner, and model steward. In addition, there is a model governance oversight function. The roles and responsibilities include separation of duties where appropriate. One of the key aspects of a successful governance function is that it is independent.
2. Signoff Protocols  
Model controls and other items requiring signoffs are identified (see Section II.B), along with the parties responsible.
3. Risk-Ranked Model Inventory  
All models are catalogued and ranked according to their risk (see Section IV). This is intended to ensure the time and effort required for compliance with governance standards is consistent with each model’s risk level. Generally, the most robust validation procedures will apply to the riskiest models, while less rigorous methods (e.g. peer review) may apply to those that have less risk.
4. Model Selection and Validation Processes

Section V includes criteria for model selection along with details on the model validation process and independent review.

5. **Scheduled and Off-Cycle Model Updates**  
Section VI provides details on routine, scheduled monthly and annual updates, as well as off-cycle model updates.
6. **Process for Handling Model Findings**  
Section VII provides a process for identification, escalation, and resolution of issues if they arise.
7. **Change Management Process**  
The change management process includes procedures to ensure that model change requests are documented, communicated, prioritized, formally approved, and implemented in a controlled manner (see Section VIII).
8. **Documentation**  
Various forms of documentation are required throughout the governance process (see Section IX).
9. **Access Controls**  
To avoid the possibility of unauthorized changes, write access to models and model governance spreadsheets (e.g. model inventory file) is granted only to individuals requiring access. Section X provides details on the level of access granted to stakeholders (i.e. Read, Write, or No Access).

**Commented [GS3]: RRC Comment:** We also suggest that the model governance framework include a requirement to create backup copies of the current and previous version of the model, in case of model corruption or data loss.

**Commented [GS4]: RRC Comment:** While Section I.C.9 mentions access controls, we suggest that Section I.C also cover storage, i.e., where models are stored, perhaps referencing the three separate modeling environments used by Conning, described in Section VIII.D.

## II. Governance Roles and Sign-off Protocols

### A. Governance Roles

For the GOES Model Governance Framework, parties are designated to serve the roles of model developer, model owner, and model steward. There is also a model governance oversight function. High-level descriptions of the responsibilities of each party are shown in the table below.

There are additional stakeholders involved in the implementation and maintenance of the models (e.g. ~~model user~~ **Model Users**). See Section III for details on all stakeholder responsibilities, including key deliverables.

**Commented [GS5]: RRC Comment:** In addition to the roles mentioned in Section II.A, we recommend the addition of the role of Model Designer. We believe that the NAIC/LATF Committee would be assigned this role and would be responsible for requesting specific changes or enhancements to the model to meet desired regulatory purposes. The Model Designer should be independent of the Model Developer. This role could also be mentioned in Section I.C component #1 and the first paragraph of Section II.A.

**Commented [SO6R5]: SO:** Added this role into the model steward role that is taken by the GOES (E/A) Subgroup

Role	High-Level Responsibilities
Model Developer: Conning's GEMS® Software Development Team	The GEMS® software development team will incorporate <u>NAIC requirements</u> <u>change requests from the Model Steward</u> into the GEMS® software and will be responsible for all ongoing GEMS® maintenance. <u>Conning is also responsible for developing and maintaining ancillary tools, including the scenario selection tool and utility to produce statistics. The model developer role will also be responsible for performing model validation, managing modeling environments, conducting testing of model changes, and completing change request documentation.</u>
Model Owner: Conning's Professional Services Team	<p>Conning's Professional Services team will own the model and the production environment, ensuring that monthly models are properly parameterized and calibrated, and that results and associated analyses are available on a timely basis. This team will utilize GEMS® automation features and commonly available tools to develop and maintain the automated monthly workflow.</p> <p>The Professional Services team will communicate requirements to the Model Developer, perform user-acceptance testing of any new code required for software to meet NAIC model specifications, and design and oversee the monthly production process.</p> <p>Conning's scenario file production processes are organized such that: 1) each process has a primary owner and a designated reviewer; 2) model updates and processes are automated where practical to do so; 3) reviewers use GEMS® native change management and audit tools to independently verify model updates and processes; and 4) scenario summaries and reports illustrate the reasonableness of results.</p>
Model Steward: GOES (E/A) Subgroup, with NAIC Staff Support	The GOES (E/A) Subgroup <u>manages the development of the GOES model</u> , ensures that the model governance framework is followed; and <u>that models meet standards set by the NAIC. The GOES (E/A) Subgroup requests any changes to the GOES to meet</u>

**Commented [GS7]: ACLI:**

Overall, this table does not seem fully applicable to all models in the Model Inventory (particularly, the "ancillary tools").

- For the models that produce the Basic and Robust Data Sets, as well as the API tool, Conning serves as the "First Line of Defense": they develop the models, create documentation, and perform independent peer review. Given Conning develops and owns the model, we need "Second Line of Defense" to perform some technical review and/or substantiate testing for reasonability or unintended consequence check, not just control review. This role is typical for a company with a sound and well-defined risk management framework.

**Commented [SO8R7]: SO:** Added responsibility to develop and maintain ancillary tools.

**Commented [RH9]:** These are the Roles and Responsibilities for all models (including analysis files)? They seem specific to the GEMS implementation.

**Commented [SO10R9]: SO:** Added responsibility to develop and maintain ancillary tools

**Commented [GS11]: RRC Comment:**  
o We recommend that the high-level responsibilities include model validation (as described in Section V.B) and manage...

**Commented [GS12]: RRC Comment:**  
We suggest that the Model Developer will incorporate change requests from the Model Steward into the GEMS...

**Commented [SO13R12]:** updated

**Commented [GS14]: Connie Tang:**  
In my experience, the model owner is typically a leader in the area that relies on the model for business outcomes

**Commented [GS15]: Connie Tang:**  
While Conning's Professional Services Team may be the product owner for GEMS software development and "own...

**Commented [GS16]: RRC Comment:** We suggest that user acceptance testing ("UAT") also include Model Users

**Commented [GS17]: ACLI:**  
Regarding model stewardship, Conning should have some role for ancillary roles, such as model developer.

**Commented [GS18]: RRC Comment:**  
Responsibilities of the Model Steward role should include accuracy, quality, and fitness of the model, in addition to

**Commented [SO19R18]:** Updated section based on comments

**Commented [GS20]: Connie Tang:**  
The model steward typically has more of a compliance and day-to-day implementation role (i.e., making sure that

**Commented [SO21R20]: SO:** NAIC Support Staff can handle more of the day to day operations



	<p><u>regulatory objectives, with input from interested parties.</u> Meetings of the GOES (E/A) Subgroup are attended by member regulators, NAIC staff, interested parties, and representatives from the ACLI and American Academy of Actuaries, which include subject matter experts.</p> <p>NAIC staff supports the GOES (E/A) Subgroup as noted throughout this document (e.g. reviewing controls, <u>independently and producing and reviewing monthly scenario metrics/statistics</u>, maintaining the model inventory and other spreadsheet governance tools, etc.).</p>
Model Oversight Group: GOES (E/A) Subgroup and NAIC Committee Structure	The GOES (E/A) Subgroup has oversight responsibilities and reports to other groups in the NAIC Committee Structure that provide further oversight as described in Section III.A.
<u>Model User</u> Model User: US Insurance Organizations, State Insurance Regulators	Model <u>U</u> sers report issues to GOES (E/A) Subgroup and request enhancements. <u>When changes are made to the GOES (e.g. 5-year review and recalibration), Model Users volunteer for field testing.</u>

## B. Sign-Off Protocols

For routine model updates necessary for monthly scenario production, as well as routine annual changes (if any), Conning and NAIC staff have signoff responsibilities as described in the table below. All other model updates require additional signoff from the GOES (E/A) Subgroup.

Party	Sign-Off Responsibilities
Conning	<p>Reviews and signs off on:</p> <ol style="list-style-type: none"> <li>1. Model access controls, ensuring that only individuals authorized to work on the models have access.</li> <li>2. Inclusion controls, ensuring that data inputs to the model are complete and have been updated as required.</li> <li>3. Change management controls for all model updates, with appropriate separation of duties (i.e. signoff from development team to advance the model from the development environment to the testing environment; signoff from the testing team that testing was completed and reviewed; and signoff that the tested model was moved successfully to the production environment).</li> <li>4. Model validations. <u>This includes validation that scenarios produced are the same for the Basic Data Set, Robust Data</u></li> </ol>

**Commented [RH22]:** So is NAIC staff the Model developer and owner for the analysis tools?

**Commented [SO23R22]:** SO: Both Conning and NAIC will produce scenario statistics. NAIC producing and reviewing scenario statistics will allow for independent check of scenario files.

**Commented [GS24]:** ACLI:  
In certain cases, the separation of duties is unclear (such as ownership/review of statistics). We think this should be more specific, especially in cases where there is ambiguity of duties between Conning and NAIC.

**Commented [SO25R24]:** SO: Added information to clarify that NAIC and Conning will both produce scenario statistics.

**Commented [GS26]:** RRC Comment:  
We suggest adding that they would also assist with UAT.

**Commented [SO27R26]:** SO: Added volunteer for field test role for model users.

**Commented [GS28]:** RRC Comment:  
we believe that systemic risk should be mentioned along with the material financial impact since the GOES model will be used industry-wide.

**Commented [GS29]:** RRC Comment:  
It may also be helpful to include a graphical representation of the roles and responsibilities, for example in a process flow format.

**Commented [GS30]:** Connie Tang:  
Conning should have standard operating procedures, appropriate controls, and risk assessments for all its GOES-related processes. Given the importance of GOES and its more "black box" scenario production process, best practice would include formal review and/or testing of end-to-end processes and controls, an assessment / summary of results, and attestation.

**Commented [GS31]:** RRC Comment:  
We recommend that an auditing process be included. This may include a System and Organization Controls 1 ("SOC 1") report as part of the attestation provided to NAIC staff. We would recommend that it be provided at inception and every two to three years. This could also be included as part of the sign-off protocols in Section III.D.

**Commented [GS32]:** Connie Tang:  
The Sept. 25, 2024 GOES Subgroup call noted that Conning's attestation in Section II.B is consistent with Sarbanes-Oxley (SOX) / Model Audit Rule (MAR) requirements. SOX/MAR attestations are usually provided *after independent testing* (e.g., by an auditor). Will such testing be required for GOES, or will this be a self-attestation (i.e., no independent testing)?

If a company had developed or were running an economic scenario generator for material GAAP / statutory balances ...

	<p><del>Set, and API tool. Note: This is highlighted for discussion later in this document.</del></p> <p>5. <del>Attestation document will be provided</del> to NAIC staff that the above controls were performed, along with any findings. <del>The attestation document will include initials beside each control to indicate signoff.</del> See Section VII for details on how findings will be handled.</p>
NAIC Staff	<p>NAIC staff <del>produces reviews</del> scenario statistics <del>independently</del>, (including acceptance criteria), <del>reviews</del>, and provides sign off <del>via email</del> to Conning that scenarios are acceptable and ready to be posted to the Conning website for use by <del>End User Model Users</del>. <del>Documentation of the NAIC produced statistics and how they are calculated is available at [link TBD].</del></p> <p>NAIC staff will also <del>perform certain controls independently, to be determined (e.g. checking that the intended scenarios were correctly posted on Conning's website, etc.)</del>.</p>
GOES (E/A) Subgroup	<p>Reviews and signs off on:</p> <ol style="list-style-type: none"> <li>1. <del>All material non-routine updates to the model, such as model recalibrations.</del></li> <li>2. Any changes to acceptance criteria.</li> <li>3. Any changes to the GOES Model Governance Framework.</li> </ol> <p><del>3- Ahead of changes to any of the three items above, public exposure of changes will occur followed by adoptions in a public meeting. Communications of changes will occur through the GOES (E/A) Subgroup distribution list.</del></p>
NAIC Committee Structure	Reviews and adopts <i>Valuation Manual</i> amendments and changes to RBC instructions.

### C. Fallback Plan

A fallback plan can define expectations in the event of a disruption to the monthly scenario generation, validation, and publication process. While not all circumstances that could lead to a disruption in the posting of scenario files can be foreseen, this section will lay out broad categories of potential causes of disruption along with a corresponding mitigation plan.

#### 1. Quarter-End and Year-End Scenario Files

- a. Quarterly and Year-end scenario files have greater importance to insurance company financial reporting. Therefore, more robust fallback procedures will apply to the posting of these quarter-end and year-end files.

**Commented [RH33]:** Is documentation just an e-mail, or is there some checklist that gets initialed for each reviewed item and any commentary?

**Commented [SO34R33]:** SO: Added in more detail on attestation document

**Commented [GS35]: ACLI:**  
Regarding attestation, how is this performed and documented? We would support a checklist that gets initialed for each reviewed item and any commentary associated with the review.

**Commented [SO36R35]:** SO: added more detail on attestation document.

**Commented [GS37]: ACLI:**  
Is this review sufficient for the NAIC to be confident that the model is fit for use?

**Commented [GS38]: ACLI:**  
Scenario statistics will play a key role in monitoring the appropriateness of the scenarios. The framework discusses the governance related to production and review of statistics but does not define those statistics themselves or who owns them. There needs to be a clearly defined list of statistics to validate against the criteria. Further, the guidance should also cover how NAIC validates the model

**Commented [SO39R38]:** • Hal requested initial state

**Commented [SO40R38]:** SO: NAIC to produce

**Commented [GS41]: ACLI:**

**Commented [SO42R41]:** SO: GOES SG to handle

**Commented [GS43]: ACLI:**

**Commented [SO44R43]:** SO: email

**Commented [GS45]: ACLI:**

**Commented [SO46R45]:** SO: GOES SG to handle

**Commented [GS47]: ACLI:**

**Commented [SO48R47]:** SO: Added more detail on

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**Commented [GS49]: ACLI:**

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**Commented [GS50]: ACLI:**

**Commented [SO51R50]:** SO: Added more detail to

**Commented [GS52]: ACLI:**

**Commented [SO53R52]:** SO: Communications of

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b. For month-end scenario files that do not fall on a quarter- or year-end, any delays to the posting of scenario files will be communicated along with an expected timeframe for resolution.

## 2. Communication of Scenario File Posting Disruption

a. The distribution list for the GOES (E/A) Subgroup will be utilized to communicate disruptions in the posting of scenario files.

b. All members, interested regulators, and interested parties will receive notice of the disruption.

## 3. Mitigation Plans by Category of Disruption

Category	Description	Mitigation Plan
Minor Validation Error – Caught Prior to Posting	This situation would occur when an issue was found during the validation process by either Conning or the NAIC and the issue could be addressed such that scenarios could be posted by the second business day following the previous month-end.	NAIC Staff would communicate the issue as soon as it is discovered on the first business day following the month-end, along with a timeframe for when scenarios are expected to be posted.
Major Validation Error – Caught Prior to Posting	This situation would occur when an issue was found during the validation process by either Conning or the NAIC that is unable to be addressed such that scenarios can be posted by the second business day following month-end.	NAIC Staff would communicate the issue as soon as it is discovered on the first business day following the month-end. Companies would be instructed to utilize prior month-end scenarios with adjustments as necessary for the current month's valuation. Model governance enhancements to avoid the issue would be developed, adopted by LATF and the LRBC WG, and implemented following the issue.
Minor Scenario Error – Caught after Posting	This issue could occur when a user of the scenarios discovers an error with the scenario set after they have been posted to the scenario website that is expected to have an immaterial impact to company valuations.	NAIC Staff would communicate the issue as soon as it is discovered. Model governance enhancements to avoid the issue would be developed, adopted by LATF and the LRBC WG, and implemented following the issue.
Major Scenario Error – Caught after Posting	This issue could occur when a user of the scenarios discovers an error with the scenario set after they have been posted to the scenario website that is expected to have a material impact to company valuations.	NAIC Staff would communicate the issue as soon as it is discovered. A meeting of the GOES (E/A) Subgroup would be scheduled to fully disclose the issue and discuss potential remedies. If the scenario set fell on a quarter- or year-end, additional guidance may be given by regulators to address the handling of the error (e.g. guidance to estimate a topside adjustment to reserves, utilize a scenario set from a previous month). Model governance enhancements to avoid the

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		<u>issue would be developed, adopted by LATF and the LRBC WG, and implemented following the issue.</u>
<u>Conning Scenario Website Down</u>	<u>The website <a href="https://naic.conning.com/scenariofiles">https://naic.conning.com/scenariofiles</a> is down and companies are unable to download scenario files.</u>	<u>NAIC Staff would communicate the issue as soon as it is discovered. Scenario files could be posted to the GOES Sharepoint site as an alternative for companies to download.</u>
<u>Conning unable to generate scenario files</u>	<u>Conning is unable to generate scenario files due to issue such as cloud outage or other business continuity event.</u>	<u>NAIC Staff would communicate the issue as soon as it is discovered, and a revised timeline for posting scenarios could be provided. The GEMS® software would be used by NAIC Staff to generate the scenarios.</u>

### III. Stakeholder Responsibilities

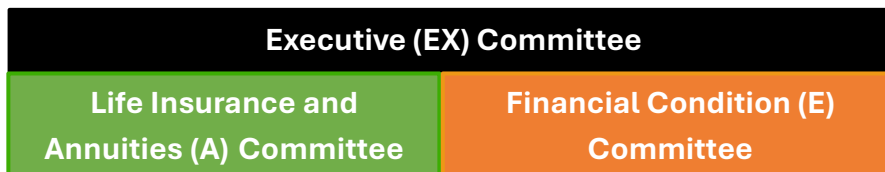
A number of stakeholders are involved in the implementation and maintenance of the model. Specific responsibilities are described in this Section.

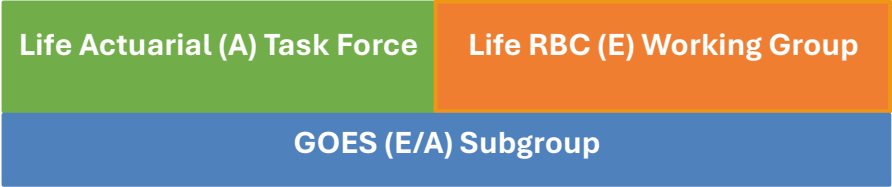
#### A. NAIC Committee Structure

The NAIC Committee structure is shown in the graphic below. The GOES (E/A) Subgroup's roles and responsibilities are discussed in Section III.B. The Subgroup is subordinate to both the Life Actuarial (A) Task Force (LATF) and the Life RBC (E) Working Group (LRBCWG).

The Life Insurance and Annuities (A) Committee is the parent committee for LATF, while the Financial Condition (E) Committee is the parent committee for LRBCWG. Recommended changes to the *Valuation Manual* and Life RBC Blanks/Instructions related to the GOES will be considered for adoption by LATF and LRBCWG before being considered by their respective parent committees.

In addition to having the final approval on changes adopted by the subordinate groups, the Executive (EX) Committee has allocated funding to support the NAIC GOES initiative.





**B. GOES (E/A) Subgroup**

The GOES (E/A) Subgroup will own the GOES Model Governance Framework and be responsible for the approval of all updates to the Framework. As the Model Steward, the Subgroup will direct NAIC Staff as necessary to effectuate aspects of the Framework. The Subgroup will organize public calls where technical issues can be discussed and feedback can be received from Subgroup members, interested regulators and interested parties. All regulator-only sessions will follow the NAIC’s Policy Statement on Open meetings.

The Subgroup has the following 2025<sup>4</sup> Charges:

1. Monitor that the economic scenario governance framework is being appropriately followed by all relevant stakeholders involved in scenario delivery.
2. Review material economic scenario generator updates, either driven by periodic model maintenance or changes to the economic environment, and provide recommendations.
3. Regularly review key economic conditions and metrics to evaluate the need for off-cycle or significant economic scenario generator updates and maintain a public timeline for economic scenario generator updates.
4. Support the implementation of an economic scenario generator for use in statutory reserve and capital calculations.
5. Develop and maintain acceptance criteria that reflect history as well as plausibly more extreme scenarios.

**C. NAIC Staff**

NAIC staff responsibilities are as follows:

1. Act under the direction of the GOES (E/A) Subgroup to support the implementation of the economic scenario generator as well as implement and monitor the model governance framework.

**Commented [GS54]: RRC Comment:**  
We recommend that reference to the Model Steward role be mentioned at the end of the first paragraph in Section III.B. For example, “As the Model Steward, the Subgroup will direct NAIC Staff as necessary to effectuate aspects of the Framework.”

**Commented [SO55R54]:** SO: Updated

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**Commented [GS56]: RRC Comment:**  
We assume that NAIC staff would not only develop the scenario review process but also perform a review of the statistics each time scenarios are produced. We recommend that this be clarified within the NAIC Staff responsibilities.

**Commented [SO57R56]:** SO: clarified

**Commented [GS58]: RRC Comment:**  
Act under the direction of the GOES (E/A) Subgroup to support the implementation of the economic scenario generator as well as implement and monitor the model governance.

**Commented [SO59R58]:** SO - Made edit.

2. Bring any governance issues to the GOES (E/A) Subgroup for consideration.
3. Monitor the effectiveness of Conning's controls and validation procedures and recommend changes to the GOES (E/A) Subgroup as necessary.
4. Develop and maintain a process to efficiently produce and review scenario statistics (independent from Conning) for each monthly scenario release to evaluate whether scenarios are acceptable before providing them to ~~End User~~Model Users.

#### D. GOES Vendor (Conning)

Under the terms of the Professional Services Agreement Between Conning, Inc. and the National Association of Insurance Commissioners, Effective September 30, 2020, Conning has responsibility for model development, routine and more extensive model updates, monthly production of scenarios, maintenance of documentation, user support, and other items. Conning's specific responsibilities are described below.

##### 1. Customization of the Models

Conning will customize the GEMS Scenario Files features and calibration of parameters to reflect any modifications adopted by state regulators to produce real-world interest rate, equity, and bond fund return scenarios for use in calculations of life and annuity Statutory reserves according to the *Valuation Manual* (e.g., VM-20, VM-21, VM-22) and capital under the NAIC RBC requirements (e.g., C3 Phase 1, C3 Phase 2). The resulting customized scenario files are referred to as the Basic Data Set. Scenario sets produced from the Basic Data Set are referred to as the NAIC Economic Scenario Files.

~~Conning will also provide a second format with additional data fields, referred to as the Robust Data Set. The Robust Data Set is available from Conning for a fee. The Robust Data Set will produce the same interest rate, equity, and bond fund return scenarios as the Basic Data Set. The Basic Data Set and the Robust Data Set are collectively referred to as the NAIC Economic Scenario Files.~~

##### 2. Maintenance of Conning Scenario Website

The NAIC website will contain a link to the Basic Data Set, validation reports, statistics, related tools, documentation, and training materials located on Conning's website. Access will be provided for ~~End User~~Model Users regardless of whether they have licensed Conning's software. ~~End User~~Model Users means users of the scenarios, including NAIC staff, state regulators, insurance

**Commented [GS60]: RRC Comment:**  
The Robust Data Set is mentioned in Section III.D as having additional data fields, but this section does not mention what additional fields are available for a fee. We recommend adding this.

**Commented [SO61R60]: SO:** references to robust data set have been removed

**Commented [RH62]:** Here we are noting the "model user" role as "end user". Maybe this is ok, since they are using the scenarios rather than the model(s) themselves?

**Commented [SO63R62]: SO:** replaced all End User phrase with model user

companies, third-party consultants retained by state regulators and insurance companies, and any other person who makes use of the scenarios.

### 3. Monthly Production of Scenarios, Scenario Statistics, and Validation Reports

The month-end production items Conning is responsible for are listed in the Model Inventory File (see Section IV.C). The production process must be completed in time to post these deliverables by 4:00 PM Central Time on the first business day of the following month.

Companies have stressed the importance of meeting this deadline so that valuation work will not be delayed. Conning and NAIC staff will collaborate on creating efficiencies to prepare for this. The process of producing and reviewing all monthly deliverables, including execution of controls, will be tested and practiced before the GOES scenarios are adopted and become effective, with monthly scenario releases planned to begin 10/1/25. Would some companies like to volunteer to participate in this testing effort by downloading the deliverables and providing feedback on any issues or suggested improvements?

Validation reports for the Basic Data Set and the Robust Data Set and additional statistics are expected to be delivered simultaneously with the NAIC Economic Scenario Files. A “dashboard” of how the scenarios compare with acceptance criteria will be included with the statistical reports. See Section V.B for details on the validation process. A sample set of reports will be shown in Appendix A.

Discussion is needed to finalize the reports, statistics, charts, etc. that will accompany each scenario set.

Conning will sign off on the controls listed in Section II.B and provide an attestation to NAIC Staff that they were performed, identifying any findings. NAIC Staff will produce and review statistics independently, and review the reports, attestation, and findings to determine whether the scenario set is acceptable. This must be done before posting the scenario files and validation report with each monthly scenario release.

Discussion is needed to finalize the scenario sets to be posted. 10,000 scenario sets will be posted alongside the scenario selection tool and scenario picking data to allow Model Users to produce subsets. As background, Conning developed an Excel-based tool to create scenario subsets. The tool can select scenarios based on the same methodology used in the AIRG (i.e. based on a significance measure calculated from the 20-year UST) or a gross wealth factor (GWF) based on the

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Commented [GS64]: ACLI:  
ACLI recommends at minimum a three-month trial period.

Commented [SO65R64]: SO: Added reference to the planned release of scenarios starting 10/1

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Commented [GS66]: ACLI:  
Validation reports need to show how well the model performs against acceptance criteria and stylized facts. It may be helpful to provide more detail on the process / thresholds to determine whether a scenario set is acceptable, while still allowing for appropriate use of judgment.

Commented [SO67R66]: Bayerle proposed a dashboard that would highlight the statistics used for evaluation.

Commented [SO68R66]: SO: Added mention of dashboard

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Commented [GS69]: ACLI:  
ACLI members would appreciate the posting all of the scenarios picker tools, values, and scenario subsets.

Commented [SO70R69]: SO: The scenario selection tool is efficient at producing subsets. In testing on my 3-year old laptop it was able to produce a 1,000 scenario subset in about two minutes.

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Large Cap (S&P 500) equity fund. However, other methodologies to select scenarios may be more appropriate for companies exposed to other risks. For example, a writer of VA products may be more exposed to equity risk. The VM allows companies to use alternative scenario selection methodologies if they meet certain requirements (e.g. documentation that reserves and TAR are not materially understated) or biased downward.

Conning's tool has the functionality to select scenarios using gross wealth factors determined from the Large Cap (S&P 500) equity fund. Conning can calculate the UST significance measure and the Large Cap gross wealth factors by scenario and provide that information with each scenario set to use as inputs for the tool.

#### Questions for discussion:

- Should both types of scenario subsets be posted to the Conning website (i.e. those stratified on interest rates and those stratified on equities)?
- Should scenario subsets be posted at all, or is it sufficient to provide the scenario picker tool and allow companies to create their own subsets using either the UST significance measure or the Large Cap gross wealth factor inputs?
- Some companies have asked for sensitivities to perform internal analysis. To help explore this, is there a common set of additional scenarios companies would like to have?

In the event a scenario set is deemed unacceptable, NAIC staff and Conning will work together to resolve the matter and provide timely communications to stakeholders according to the Fallback Plan documented in section II.C. NAIC staff will consult with the GOES (E/A) Subgroup as desired by Subgroup members.

Discussion is needed to determine the course of action if there will be a delay in posting scenarios or a significant issue is identified after scenarios are posted. For example, if a delay exceeds some threshold (e.g. X days), should there be a fallback approach for companies to use?

#### 4. Parameter Updates

Conning will develop parameter updates at a frequency determined by the GOES SG. The steps in this process are outlined in Section VI.

#### 5. Documentation

Conning will provide documentation as described in Section IX.

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**Commented [RH71]:** This is true for VM-21, but not VM-20. VM-20 would need to be changed. VM-20 will likely need to be updated either way due to the specific language not being correct with an external tool: "The smaller set of scenarios is generated using the scenario picker tool provided within the prescribed scenario generator,".

**Commented [SO72R71]:** SO: VM-20 has been updated

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**Commented [GS73]: Connie Tang:**  
The GOES scenarios will be used for products with different risk profiles and sensitivity to one or more market risks. Therefore, the scenario selection tool should have the functionality to stratify on multiple dimensions (i.e., rates and equities). (The posted GOES tool stratifies on only one or the other.)

**Commented [SO74R73]:** SO: Can consider enhancements to the scenario selection tool as a day II item. Otherwise companies have the ability to use other tools or methodologies to select scenarios provided they meet the requirements of the Valuation Manual.

**Commented [RH75]:** yes

**Commented [RH76]:** Either seems fine

**Commented [SO77R76]:** SO: Companies will be able to create their own subsets using the scenario selection tool or other methodologies.

**Commented [GS78]: Connie Tang:**  
Posting all scenario subsets companies might use is not practical, so posting the scenario selection tool is a good alternative. It may also be helpful to post

**Commented [SO79R78]:** SO: Companies will be able to

**Commented [GS80]: John Hancock:**

**Commented [SO81R80]:** SO: NAIC is declining to post

**Commented [GS82]: Connie Tang:**

**Commented [SO83R82]:** SO: NAIC is declining to post

**Commented [GS84]: ACLI:**

**Commented [SO85R84]:** SO: Added section II.C Fallback

**Commented [GS86]: Connie Tang:**

**Commented [SO87R86]:** SO: Added section II.C Fallback

**Commented [GS88]: ACLI:**

**Commented [SO89R88]:** SO: Added section II.C Fallback

**Commented [MC90]:** I would think in the case that this

**Commented [SO91R90]:** SO: Added section II.C Fallback



## 6. Training Materials

Conning will provide robust training materials for use by ~~End User~~Model Users and update these materials periodically as needed.

## 7. User Support

~~Conning will provide full support to End User~~Model Users of the NAIC Economic Scenario Files who have licensed the Software.

Conning will provide help desk support to ~~End User~~Model Users of the NAIC Economic Scenario Files who have not licensed the software. This will include phone support as well as e-mail at [naicscenarios@conning.com](mailto:naicscenarios@conning.com) to allow the NAIC, state regulators and other ~~End User~~Model Users to submit questions.

## 8. Field Testing

Conning will provide necessary support for field testing of the NAIC Economic Scenario Files under regulatory reserving and capital frameworks. ~~Additional field testing could be necessary if a large change is made to the GOES (e.g. five-year recalibration) or if significant changes are made to an NAIC reserve or capital framework.~~

## 9. Additional Information to be Provided Annually

Conning will provide the following information annually:

- Back-testing report comparing the NAIC Economic Scenario Files projected results to what actually happened over the previous year.
- Summary information of the number and types of questions submitted to Conning via the support e-mail address, and steps taken to address these concerns (e.g., additional documentation created).

## E. Subject Matter Experts and Interested Parties

Subject matter experts and interested parties play an important role in model governance. Industry involvement is critical, as companies will be users of the model output and thus could identify issues, propose solutions and scope out testing that may not be readily apparent to regulators and NAIC staff.

~~Activities~~ may include but are not limited to:

**Commented [RH92]:** Should we be addressing access to model documentation here (e.g., the NDA)?

**Commented [SO93R92]:** SO: In section IX, we note how to access additional documentation (e.g. NDA).

**Commented [RH94]:** Is this some future field test? Like, if we had some future VM-23? I am not sure what this means in the Model Governance Framework.

**Commented [SO95R94]:** SO: Added additional detail.

**Commented [GS96]:** ACLI:  
Because of the substantial impact GOES will have on all life insurance activities, it is critical that the Subgroup provide clear communications and rationale behind its decisions. We would request the following to be included in the formal written governance and guidance:

- The Subgroup and Conning should document decisions and rationale behind technical modifications to GOES.
- Formal discussions and decisions on technical GOES issues should be conducted on public calls so industry can provide meaningful and useful feedback the regulators may want to consider in those discussions.
- There may be times when it is appropriate to rely on the vendor for feedback without engaging the industry, and we would encourage the regulators to develop clear guidance on when that might be appropriate.

**Commented [SO97R96]:** SO: Added additional responsibilities to the GOES SG role

1. Bringing any **model or governance** issues to the GOES (E/A) Subgroup for consideration.
2. Reporting any issues with scenario delivery and user support to the GOES (E/A) Subgroup and NAIC Staff.
3. Reviewing results of planned model updates (see Section VI.A – VI.C) and providing independent feedback in public sessions of the GOES (E/A) Subgroup.
4. Recommending off-cycle model recalibrations where necessary (see Section VI.D), reviewing the results, and providing independent feedback in public sessions of the GOES (E/A) Subgroup.

**Commented [GS98]: RRC Comment:**  
We believe that Subject Matter Experts and Interested Parties would bring any **model or governance** issues to the GOES (E/A) Subgroup for consideration.

**Commented [SO99R98]: SO:** updated

## IV. Models Subject to the GOES Model Governance Framework

### A. Model Definition

ASOP No. 56 defines a model as follows:

“A simplified representation of relationships among real world variables, entities, or events using statistical, financial, economic, mathematical, non-quantitative, or scientific concepts and equations. A **model** consists of three components: an information **input** component, which delivers **data** and **assumptions** to the **model**, a processing component, which transforms **input** into **output**, and a results component, which translates the **output** into useful business information.”

Under this definition, **all items listed in the Model Inventory File (see Section IV.C) are models.**

**Commented [GS100]: ACLI:**  
ACLI agrees with the note from regulators that it would be prudent to start out with all models listed in the Model Inventory File ranked as high risk.

**Commented [SO101R100]: SO:** Nothing to do here

**Commented [GS102]: RRC Comment:**  
Section B (Model Risk Rating) discusses the assignment of a risk rating and notes that all models listed in the Model Inventory File are currently ranked as high risk. The Exposure draft does not mention who is responsible for determining the risk rating on an ongoing basis, or the frequency at which the rating should be reviewed. We recommend that the appropriate governance role be assigned this responsibility. We also recommend including the model risk rating responsibility in the governance roles in Section II.A.

**Commented [SO103R102]: SO:** Noted it is the GOES Subgroup responsibility. Model risk rating falls under model governance.

### B. Model Risk Rating

**The GOES (E/A) Subgroup assigns m**~~Models are assigned~~**a risk rating (high, medium, or low) depending on their complexity and materiality in terms of financial impact. Any models classified as high risk are subject to all aspects of model governance, while those classified as lower risk may be subject to more limited requirements. This risk-based focus promotes efficiency.**

At this time, all models listed in the Model Inventory File are ranked as high risk for the following reasons:

1. The life insurance industry, regulators, and other stakeholders rely on the model output for reserve and capital calculations.
2. Model errors may cause material financial impacts.
3. The models are highly complex.

**Commented [GS104]: ACLI:**  
To strengthen governance, additional detail and clarification could be added on how certain aspects of the framework will be applied. For example, the following would be helpful:

Defined methodology for determining the model risk rating and clarification on how governance requirements will vary by rating or by complexity/materiality of a model change.

**Commented [GS105]: Connie Tang:**  
Typically, a model governance policy establishes quantitative and qualitative criteria (and other considerations) for high-, medium-, and low-risk classifications. Each classification is associated with risk-based testing and review requirements.

This document provides the rationale for a “high” classification without defining “low” and “medium” because the GOES model is clearly high-risk overall. However, not every model component or tool within GOES may be high risk, so establishing explicit classification criteria may facilitate more efficient, risk-based activity.

Is there agreement that all models listed in the Model Inventory File should be ranked as high risk?

### C. Model Inventory File

The Model Inventory File is an Excel spreadsheet listing each model subject to the GOES Model Governance Framework, along with the following details:

1. Model ID number
2. Model name
3. Model description
4. Product lines using the model output
5. Model status (active or inactive)
6. Model history, including the date of the last model validation and the date of the last model update
7. A link to model documentation, along with the date of the last documentation update
8. Ownership details (Model Developer, Model Owner, and Model Steward) and key point of contact
9. Risk rating of the model (high, medium, or low) and rationale for the rating

The Model Inventory File will be available on the NAIC website (location TBD). A sample file will be provided in Appendix B. The file will include the following models:

- Models producing the Basic Data Set (Treasury, Equity, and Corporate Bond models)
- ~~Models producing the Robust Data Set (the same Treasury, Equity, and Corporate Bond models used for the Basic Data Set)~~
- ~~API tool~~
- SERT tool
- Scenario ~~reduction-selection~~ tool
- Conning scenario statistics tool
- NAIC scenario statistics tool

**Question for discussion:** To what extent should the model governance framework extend to optional items available for a fee (i.e. Robust Data Set, API tool), considering that they must produce the same scenarios as the Basic Data Set?

NAIC staff will have access to edit the Model Inventory File. Other model stakeholders will have Read access to the file.

**Commented [RH106]:** I think it is prudent to start out this way, but I could also argue that something like the scenario subset tool is a “nice to have” that the company could also do their own approach to instead.

**Commented [SO107R106]:** SO: May consider downgrading subset tool

**Commented [GS108]: Connie Tang:**  
For large and complex models like GOES, a more detailed model *component* inventory may be helpful. For example, a “Treasury Model” may include the GEMS engine that generates projected rates given initial state variables and model parameters, the tool used to fit the initial state variables from the initial rate curve, a Generalized Fractional Flooring tool, other pre-/post-processing tools, calibration tools (for determining or updating parameters from calibration data), etc.

**Commented [GS109]: Connie Tang:**  
Note that the same underlying models are used to produce different levels of output detail for the Basic and Robust Data Sets, so it would be more natural to identify Treasury, Equity, and Corporate models instead of a “Basic Data Set Model” and “Robust Data Set Model.”

**Commented [SO110R109]:** SO: Removing all references to Robust Data Set

**Commented [GS111]: RRC Comment:**  
Regarding whether the Model Governance Framework should be extended to optional items available for a fee (e.g., Robust Data Set, API tool), we agree that the Model Governance Framework should be extended to all optional items related to the economic scenario generator.

**Commented [SO112R111]:** Document has been revised to remove optional Conning product offerings (API tool, robust data set) from NAIC Governance process to focus on items specific to the Valuation Manual requirements.

**Commented [GS113]: Connie Tang:**  
All aspects of GOES, including (but not limited to) items such as the API tool and generation of the additional elements in the Robust Data Set, should be covered by the model governance policy. There are no other means of establishing governance over these items, and GOES objectives and appropriate statutory reporting will not be achieved if the API is incorrect or Basic and Robust data sets are inconsistent.

**Commented [SO114R113]:** SO: Document has been revised to remove optional Conning product offerings (API tool, robust data set) from NAIC Governance process to focus on items specific to the Valuation Manual requirements.

**Commented [GS115]: ACLI:**  
Regarding the posed question, the model governance framework should extend to optional, additional items that are available for a fee.

The Model Inventory File will be updated whenever there is a new model, whenever a model is retired, and any time there is a change in one or more of the model details shown above.

## V. Model Selection and Validation Process

### A. Process and Criteria for Model Selection

The process for model selection is intended to ensure that each model meets its intended purpose. Models producing Treasury, equity, and corporate bond scenarios are selected based on the following considerations:

#### 1. Stylized Facts

Stylized facts describe qualitative criteria that scenarios produced by the GOES Treasury, Equity, and Corporate Bond models should achieve. A link to the current set of stylized facts is provided in Appendix B.

#### 2. Acceptance Criteria

Acceptance Criteria are quantitative metrics that Treasury, Equity, and Corporate Bond scenarios generally should pass to be considered fit for their intended purpose. If one or more metrics fail the criteria, it may indicate that a revision to the model is necessary. However, judgment is required in making this decision. A criterion overall is not necessarily failed just because some subset of a table of criteria are outside their targets. A link to the current set of Acceptance Criteria is provided in Appendix B.

#### 3. Model Office Testing

To aid in the initial selection of the Treasury, Equity, and Corporate Bond models, model office testing was done for Variable Annuities, Universal Life with Secondary Guarantees, and Term Life.

The GOES (E/A) Subgroup may consider the use of model office testing prior to implementation of material model updates.

#### 4. Industry Field Testing

To aid in the initial selection of the Treasury, Equity, and Corporate Bond models, two industry field tests were done.

The GOES (E/A) Subgroup may consider industry field testing prior to implementation of material model updates. However, model office testing may be determined to be preferable depending on the resources, time, and cost required for a field test.

#### Commented [GS116]: Connie Tang:

This section should be expanded to include vendor selection, model selection, and model calibration / parameter selection.

A policy document should provide guidance on when model office testing, impact analysis, and/or full field testing would generally be applicable (vs. discussing recent model office runs or field tests).

#### Commented [GS117]: ACLI:

While not specifically related to governance, we would appreciate a future opportunity to discuss whether proprietary models that comport with the stylized facts and are within the thresholds for targeting criteria and evaluation statistics facts would be acceptable for valuation purposes. We note that developing these thresholds is something ACLI and our team of subject matter experts are currently working so this is a topic we would be willing to present on in the coming weeks.

#### Commented [GS118]: ACLI:

- The latest set of acceptance criteria includes “targeting criteria” and “evaluation statistics.” These should be defined in the governance framework to clarify how they will be used in determining whether scenario sets are acceptable.

- Prior to making sure model statistics are able to meet the stylized facts and/or acceptance criteria, it should define what is the intended purpose and how the model fits for purpose.

- Who is responsible for determining if a particular scenario set is acceptable? Would this process include interested parties such as ACLI and the Academy? Having more detail on this part of the process may be helpful, acknowledging that judgment will be needed to determine whether scenario set(s) as a whole are appropriate for use in this context.

- Regarding the implementation of material model updates, ACLI notes that depending on the change, some items may not need any formal testing, some could require review from the NAIC model office, and some updates could require full field testing or an off-cycle update across the board in line with section four. The nature of the GOES model changes and limitations of the model offices should also be considered when determining whether model office testing is preferable to industry field testing.

**Commented [SO119R118]: SO:** Suggest more robust thresholds around acceptance criteria and adaptability in varying economic conditions as day II item.

## B. Model Validation

Validation procedures will be performed to ensure that model output is accurate, and scenario sets remain fit for their intended use. Any findings that arise from the model validation process will be handled as described in Section VII.

Key components of model validation include:

1. Input Validation  
Input validation may include a review of source data, review of the initial treasury curve fit, assumption benchmarking, month-to-month model parameter comparisons, and spot checking.
2. Calculation Validation  
Validation of calculations may include an independent full model replication, independent sample calculations, process approximation, formula inspection, testing of interim calculations, and testing of results. In addition to the Model Developer's calculation validation, the Model Owner will perform independent user acceptance testing for any software modifications required to implement the NAIC model.
3. Output Validation  
Output will be validated based on reports produced monthly along with the scenario sets (see Appendix A for sample reports). NAIC Staff will produce a "dashboard" included with the scenario statistics to compare the acceptance criteria and stylized facts, where relevant to monthly validation, to summarized scenario output. Thresholds and modifications to acceptance criteria for alternative starting environments will be considered as a "Day II" item after the initial implementation of the GOES.  
  
When the GOES is recalibrated (e.g. resulting from five-year recalibration), scenario sets under multiple, varied, starting environments will be produced. The resulting statistical packages will be created and shared publicly ahead of approval of the new calibration.
4. An evaluation of the effectiveness of model testing procedures
5. Validation of controls and procedures  
A detailed form including checklists and names of owners and reviewers for each key step will be used to ensure compliance with the sign-off responsibilities documented in Section II A.

### Commented [GS120]: RRC Comment:

We would recommend clarification of who would be performing the model validation along with the frequency at which the model validation is performed and how this would be related to the model risk rating mentioned in Section IV. These appear to be items that should be part of the Model Developer responsibilities.

### Commented [SO121R120]: SO: GOES vendor performs model validation

### Commented [GS122]: ACLI:

To strengthen governance, additional detail and clarification could be added on how certain aspects of the framework will be applied. For example, the following would be helpful:

Defined process for how the models will be validated/reviewed, both by Conning and by the NAIC.

### Commented [GS123]: ACLI:

The Governance framework should make clear who specifically is responsible for this process.

### Commented [GS124]: ACLI:

Will validation procedures be performed on all models in the model inventory? How frequently (e.g., for every monthly update)? Performed by whom? Independent of model developer? Does the scope of validation vary depending on the extent of the change or the risk of the model?

### Commented [GS125]: ACLI:

We request that Conning produce scenarios across different starting economic environments (most recent year end, low rate, high rate, normal yield curve) when changes are made to the generator to ensure the calibration still meets the criteria in these situations.

### Commented [SO126R125]: SO: Updated the Output Validation section

### Commented [GS127]: ACLI:

Model validation should also consider including, as applicable:

### Commented [GS128]: ACLI:

Model replication procedures or a sample prototype should be shared publicly for transparency in-line with V.B.2.

### Commented [GS129]: RRC Comment:

### Commented [SO130R129]: SO: Updated

### Commented [GS131]: ACLI:

For output validation, industry would request more specifics on the validation steps and criteria. At minimum, validation

### Commented [SO132R131]: SO: added more detail on dashboard. Suggest more robust thresholds around

### Commented [GS133]: Connie Tang:

The model validation section focuses on implementation / process testing. However, model validation must also

## VI. Model Updates and Review

This section describes the types of scheduled model changes that will occur monthly, annually, and every 5 years, as well as off-cycle model changes. All model changes are subject to the change management process detailed in Section VIII.

### A. Monthly Model Updates

The Treasury model will be updated monthly to reflect starting conditions. This is documented in [Appendix X \(GOES Model Documentation Placeholder\)](#). Initial values for equity indices, equity volatilities, and corporate spreads will also be updated monthly. Question for discussion: Should model documentation be included as appendices in this document so that governance and documentation are all in one place, or is it preferable to keep them separate?

### B. Annual Model Review and Update (If Necessary)s

Discussion is needed on whether there should be regularly scheduled annual updates (e.g. updates of the mean reversion parameter), the timing of these updates, and whether they should be classified as routine changes. At the beginning of each year, Conning and NAIC Staff will undertake an annual review of the GOES and provide a back-testing report comparing the projected results to the actual previous year data. As part of the review Conning and NAIC Staff will make a recommendation as to whether the model parameters should be revised or left unchanged. The back-testing report, along with the recommendation, will be posted on the NAIC/Conning scenario website in the first quarter of the year and provided to GOES (E/A) Subgroup leadership. If there is a recommendation to change the model parameters, a public discussion of the GOES (E/A) Subgroup will be called to discuss and determine a course of action.

Updates to the GEMS® software version used to produce the monthly GOES scenarios will also be considered during the annual review process. As part of Conning's normal course of business, they fix bugs and/or make enhancements to their software on a roughly monthly basis. However, all clients have the option of running previous versions of the software. During the annual process, Conning and NAIC Staff will perform testing of the GOES using the latest version of the software to determine whether there were any impacts to the scenarios. Results of the software version testing along with a recommendation on acceptance of a new version of the software will be posted to the NAIC/Conning Scenario website and provided to the leadership of the GOES (E/A) Subgroup. If there are any changes to the scenarios as the result of the software update, a meeting of the GOES (E/A) Subgroup would be held to discuss and determine a course of action.

#### Commented [GS134]: ACLI:

We would appreciate discussion on drawing distinction between the governance applicable for different types of updates. For example, the governance process for recalibration, monthly updates, annual updates, off-cycle model changes, and structural model improvements would be similar, but each should be tailored to the risk and significance associated with each change.

#### Commented [GS135]: ACLI:

Regarding whether model documentation should be included as appendices in the document so that governance and documentation are all in one place, or if it is preferable to keep them separate, the items should at least be linked but the specific format does not matter as long as it is easily accessible and clearly identified.

#### Commented [SO136R135]: SO: Suggest separate Governance and technical documentation

**Commented [MC137]:** This part should be more explicit. Are only the starting conditions updated and none of the other technical parameters updated? Is the random number seeding consistent month over month? In other words, if all of the starting conditions were the same as the prior month, are the resulting scenarios identical to the previous month?

#### Commented [SO138R137]: SO: to be addressed in technical documentation

#### Commented [GS139]: Connie Tang:

There should be a complete inventory of all initial market inputs, their data sources, and update frequency for the Interest Rate, Equity, and Corporate models. This information would normally be maintained in the model documentation (and not the model governance framework document).

#### Commented [SO140R139]: SO: to address in technical documentation

#### Commented [GS141]: Connie Tang:

**Commented [MC142]:** Also, for the companies that pay Conning to license GEMS, is there functionality for those

**Commented [SO143R142]:** SO: Companies that license GEMS software should be able to produce identical

#### Commented [GS144]: Connie Tang:

#### Commented [SO145R144]: SO: Revised language

#### Commented [GS146]: ACLI:

**Commented [MC147]:** Are they going to offer a set of scenarios old vs new so that companies can do an

#### Commented [GS148]: ACLI:

#### Commented [GS149]: ACLI:

**Commented [MC150]:** Are these generally going to be parameter updates due to an update of the historical



### C. 5-Year Model Recalibration

Conning will perform a periodic GOES recalibration process **at a frequency determined by state regulator every five years**. **Is 5 years the desired frequency?** This will include the following steps:

1. Conning will perform research on potential changes as requested by state regulators.
2. Conning will document and present potential **changes** to state regulators for exposure and adoption, and attend meetings as needed to respond to questions/comments received during the exposure **period**. Materials to be provided for consideration of changes should include:
  - a. discussion on how changes were vetted for complex interactions between parameters,
  - b. attribution analysis showing the impact of each change, and
  - c. documentation on the above in sufficient detail to allow independent review.
3. NAIC staff will modify model governance documents (Appendix B) as needed to reflect final adopted updates in a timely manner. Conning will provide evidence to the NAIC that changes were made appropriately.
4. Conning will update documentation impacted by any changes.

#### Commented [GS151]: Connie Tang:

The 5-year review should be a comprehensive model review and include assessing the continued suitability of the model form/structure (which may include evaluation of vendor limitations) and not limited to the recalibration of the existing model.

The 5-year review process should commence well before 5 years has elapsed. (Starting the process in 5 years would delay any update significantly beyond 5 years.)

Special considerations may apply for our initial implementation. If findings related to model limitations and soundness are open / deferred from the initial implementation, it may be advisable to continue exploring enhancements and actions in the coming years (vs. waiting until the formal kickoff of the 5-year review in a few years).

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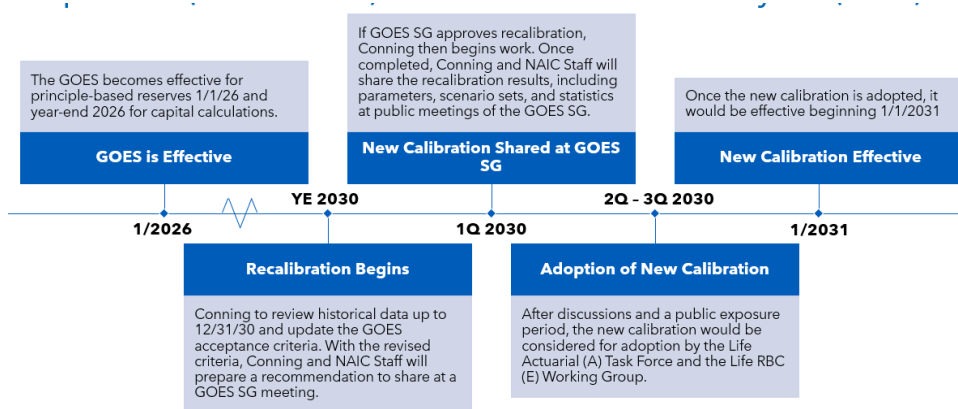
#### Commented [GS152]: RRC Comment:

We recommend a requirement that the model be reviewed and recalibrated at a minimum every five or so years to confirm continued appropriateness and fit of the model.

**Commented [MC153]:** I would think functional form model changes should be handled only within the 5y cycle.

**Commented [MC154]:** Ideally we can communicate some sort of minimal timeline for this so industry knows they will have adequate time to evaluate/respond.

Exhibit 5.C: 5-Year Recalibration Cycle



D. Off-Cycle Model Updates

As noted in Section III.B, one of the charges of the GOES (E/A) Subgroup is to review key economic conditions and metrics to evaluate the need for off-cycle or significant economic scenario generator updates and maintain a public timeline for economic scenario generator updates. Items that may trigger an off-cycle update include, but are not limited to the following:

Discussion is needed on what might trigger an off-cycle recalibration, while allowing for judgment, e.g.

- A significant change in initial economic conditions
- A change in Federal Reserve policy
- Model findings
- Failure to meet a certain number or type of acceptance criteria, a trend towards failure of meeting an acceptance criteria, or GOES (E/A) Subgroup directed revisions to acceptance criteria
- Change in insurance product offerings available on the market that requires new GOES functionality or emphasis on certain risk drivers.

E. Model Update Oversight

As noted in Section III.B, one of the charges of the GOES (E/A) Subgroup is to review material economic scenario generator updates, either driven by periodic model maintenance or changes to the economic environment and provide recommendations.

VII. Process for Handling Model Findings

While every effort will be made to avoid errors in model calculations, inputs, and methodologies, it is possible that issues will be identified. “Model findings” refer to any issues discovered during model governance procedures that have a financial impact for users of the model output. Model findings may be identified by any model stakeholder.

A. Tracking and Communication of Model Findings

All findings must be documented in the Model Findings Inventory, which tracks findings, estimated impacts, and remediation activity. When findings are remediated, the impact to model outputs must be documented and communicated to model user Model Users and the GOES (E/A) Subgroup.

B. Risk Classification

To ensure effective monitoring and remediation priority, each finding will be assigned to one of the risk categories below in the Model Findings Inventory.

Commented [GS155]: ACLI:

A clear update process for off-cycle updates should be established.

Commented [GS156]: Connie Tang:

Potential drivers of off-cycle model changes and/or recalibration may include:

- New uses / products / risks that require additional economic outputs or make existing scenario values or characteristics more material
- Changes / enhancements to stylized facts or acceptance criteria
- Conditions that may be indicative of a change in long-term expectations – including but not limited to persistent trends in actual data, Fed / monetary policy changes, fiscal policy changes, market structure changes, global economics
- Conditions the model was not designed to handle or does not handle well occurring more frequently or persistently (e.g., conditions that stress a known model/calibration limitation or simplification beyond what’s acceptable, distributions or sensitivities that no longer make sense because of previously unidentified model/calibration limitations)
- Regime changes not adequately reflected in the ranges of the existing distribution
- Failing and/or worsening performance (e.g., trending towards failure) on acceptance criteria

Commented [SO157R156]: SO: updated

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Commented [GS158]: ACLI:

ACLI would suggest regularly scheduled meetings for discussion about whether there is a need for model or calibration updates. Such discussions could also make it

Commented [GS159]: Connie Tang:

It is unclear how the Model Findings (Section VII) and Model Change (Section VIII) processes will work if the items involved are subject to a non-disclosure agreement. (E.g.,

Commented [RH160]: We haven’t defined model users.

Commented [SO161R160]: SO: added model users to the roles and responsibilities table.

Commented [GS162]: ACLI:

To strengthen governance, additional detail and clarification could be added on how certain aspects of the framework will be applied. For example, the following would be helpful



### 1. Material, Complex Finding

These findings would be characterized as complex and risky to remove, impacting many users with potentially material impacts on financial results.

### 2. Material, Simple Finding

These findings would be characterized as simple (i.e. they can be remediated without significant risk) and having potentially material impacts on financial results.

### 3. Immaterial Finding

An immaterial finding would be one that does not **currently** have a material financial impact **and** ~~This type of finding~~ is expected to only decrease in materiality **over time**.

### Questions for discussion:

- What criteria will be used to evaluate the materiality of a finding?
- How will corrective actions be determined and communicated?
- What should users do if there is a material finding? Use the prior version of the model?

## C. Remediating Findings

Material findings can be considered remediated if:

- It has been determined why the finding occurred;
- Any necessary changes to requirements have been determined and communicated to ~~End User~~ Model Users; and
- A model change is implemented to remove the finding.

## D. Model Findings Inventory

The Model Findings Inventory will be available on the NAIC website (location TBD). A sample file will be shown in Appendix B. The Model Findings Inventory will include the following information for each model finding:

1. Finding ID
2. Finding Status (Open, Deferred, Closed)
3. Date finding was identified
4. Finding type (Error, Simplification, Data Limitation, Model Limitation)
5. Risk classification (Material Complex Finding, Material Simple Finding, Immaterial Finding)

#### Commented [GS163]: Connie Tang:

The handling and utility of the proposed classification system (Material, Complex; Material, Simple; Immaterial) is unclear. In my experience, findings are typically classified as errors or refinements and assessed on a several dimensions. The classification and assessment then lead to an explicit recommended action (e.g., address immediately, address at the next scheduled [annual, 5-year] review / update, monitor and address at some pre-defined trigger).

#### Error vs. Refinement

The first distinction is whether a finding is an error or refinement (e.g., changes to address previously documented model limitations, simplifications, approximations or reflect emerging situations, advancements, best practices).

Errors should be "addressed immediately" while refinements are typically scheduled over longer time frames. Addressing an error may mean fully implementing the correction, implementing a workaround / topside / adjustment that reduces the impact below an immateriality (de minimus) threshold, or potentially documenting and having an implementation plan (with appropriate monitoring in the interim) if the error is already under an immateriality threshold.

Commented [RH164]: I don't know what this phrase means. That delay can't potentially make it more material?

Commented [SO165R164]: SO: added clarifying language to illustrate that it cant be a problem that is small now but could become material over time.

#### Commented [GS166]: ACLI:

As a starting point, ACLI believes that items such as financial impact, reputational impact, and operational efficiency (including documentation inefficiency) should be considered.

#### Commented [GS167]: ACLI:

Given Conning develops and owns the model, in addition to relying on the GOES subgroup and interest parties to identify the issues/model findings, we suggest NAIC form a smaller/independent technical group to review Conning's technical update for reasonability or unintended consequences.

#### Commented [GS168]: Connie Tang:

#### Prioritization and Taking Action

The error / refinement determination and impact assessment result in the assignment of an actionable rating (e.g., address immediately, as soon as practicable, at the next annual update, at the next 5-year review). Findings with more material and/or likely impacts would generally receive the highest prioritization and timeliest

6. Detailed description of the finding
7. Model ID
8. Model name
9. How the finding was identified
10. Estimated impact of finding
11. Determination of why the finding occurred
12. Necessary changes to requirements because of the finding
13. Description of model change implemented to remove the finding
14. Date finding was last reviewed

NAIC staff will have access to edit the Model Findings Inventory. Other model stakeholders will have Read access to the file.

The Model Findings Inventory will be updated whenever there is a new finding, whenever a finding is remediated, and any time there is a change in one or more of the details shown above.

## VIII. Model Change Management

Model change management is the process to ensure that model changes are controlled and accurate. Three tools will be used to facilitate the change management process: 1) a Model Change Request Template, for submitting change requests; 2) a Model Change Request Inventory, to keep track of all change requests and their status; and 3) a Model Change Documentation Template, to ensure that changes are documented and made in a controlled manner. These tools are described in sections B and E below.

### A. Model Change Categories

Each model change will be classified into one of the following model change categories, which determines the level of governance required.

Model change category	Definitions	Level of governance
Routine change	Scheduled updates, e.g. to update monthly starting conditions	Full governance, except that model change requests and tracking are not required
Model enhancement	Implementation of new methodology, incorporation of updates to existing requirements (e.g., VM-20 or VM-21 updates), etc.	Full governance

#### Commented [GS169]: RRC Comment:

For “emergency” model findings and fixes, we recommend that an escalation process be created such that critical model fixes can be implemented in a timely manner, when the normal NAIC approval process may not be fast enough.

#### Commented [GS170]: Connie Tang:

“Routine (monthly) changes” that trigger some sort of exception handling should require notification / tracking. (E.g., Substituting or not updating for an unavailable or questionable input data element, deviating from the publicly documented algorithm for setting initial state variables because a valid or acceptable solution could not be found, altering credit model adjustments because they no longer work well)

#### Commented [GS171]: Connie Tang:

A governance policy should define what “full governance” might entail for each type of finding and regular update type (i.e., monthly, annual, 5-year) – including the testing, validation, documentation, and approvals required and when model office testing, impact studies, and full field testing would apply.

Model correction	Remediation of model issues identified through model validation, result analysis, external feedback, etc.	Full governance
Cosmetic updates	Updates to model coding or structure which do not impact model outputs	Regression testing only, to confirm there is no unexpected impact against the original model results

## B. Model Change Requests and Tracking

Routine model changes supporting monthly production of scenarios do not require a formal change request, tracking, or consideration by the GOES (E/A) Subgroup.

Other model change requests may be initiated by members of the GOES (E/A) Subgroup, Interested Regulators, or Interested Parties. Requests may be made by completing a Model Change Request Template and sending it to the NAIC staff support person for the GOES Subgroup. The Model Change Request Template will be available on the NAIC website.

The Model Change Request Template is intended to be used as a mechanism for sharing and escalation of concerns. For example, it may be used when ~~End User~~~~Model User~~ feel the model is generating inappropriate results or is causing unusually large impacts.

Model change requests will be tracked in the Model Change Request Inventory, which will be maintained and kept up to date by NAIC staff. The Inventory will indicate which models are impacted by the requested change.

Material model changes will be considered by the GOES (E/A) Subgroup, and if adopted through the NAIC committee structure, will be carried out by the Model Developer, with oversight by the Model Owner and Model Steward.

Only NAIC staff will be given access to edit the Model Change Request Inventory. Other model stakeholders will have Read access to the file. The Model Change Request Inventory will be available on the NAIC website (location TBD).

## C. Handling of Material Model Changes

There may be events that warrant significant changes to the GOES models, assumptions, and calibrations. In these situations, the GOES (E/A) Subgroup may consider the use of model office testing and/or field testing to analyze the impacts

**Commented [GS172]: Connie Tang:**  
The policy should identify how often model change requests will be reviewed and prioritized. (Avoids having requests that languish.)

prior to implementation. This is not expected to be necessary for routine model updates.

Field testing is time-consuming and can be expensive. Where possible, model office testing may be considered as an alternative.

#### D. Modeling Environments

Conning uses three separate modeling environments: a development environment, a test environment, and a production environment. These environments are based in separate work areas, with different permissions granted to users per their roles within the model governance framework.

All model changes occur in the development environment. Models are copied from the production environment into the development environment, where full editing access is available. Using this version of the model, developers make the necessary changes, conduct testing and complete the required change documentation to meet all governance requirements.

After changes are implemented, the model is copied to a distinct testing environment. Specific testing procedures are performed at the discretion of the model developer and model owner. The adequacy of testing will be reviewed by NAIC staff as directed by the GOES (E/A) Subgroup.

Once model development and testing are complete and full governance procedures have been followed to confirm and approve changes, models are promoted back to the production environment. In the production environment, only read access permissions are granted to the model developers to prevent any unintended changes to the production models. It is important to link a detailed description of the model changes to the newly promoted model to ensure clear version control.

#### E. Model Change Documentation Template

The Model Change Documentation Template (see Appendix B) will be used to ensure that changes are documented and made in a controlled manner.

The model developer is responsible for completing the template for each model change. The template contains the following information:

- Technical details of the changes made in the model
- Summary of the impact of changes on model outputs
- Summary of model testing results
- ~~Model user~~Model User acceptance testing and validation sign-off

**Commented [RH173]:** Again, this addresses the “models” from Conning but not NAIC (analysis tools)

**Commented [GS174]: Connie Tang:**  
Information about development, test, and production IT environments would more commonly be found in testing and/or controls documentation and not a model governance framework or policy document. (However, the current draft appears to be a hybrid document and not purely a framework/policy document.) A policy document would establish expectations for types of testing, test plans, and documentation (potentially by change type and/or risk level) instead of leaving testing to “the discretion of the model developer and owner.”

The use of development, test, and production environments is standard in both software and model development, but the process described for storing, tracking, and promoting models appears to deviate from standard software development practice and insurance company modeling best practices / IT control requirements. Formal version control / library management software and processes should be used to store, track, and promote all model components (e.g., source code, Excel tools, pre-/post-processing tools) as well as inputs (e.g., initial market, calibration parameter, and projection parameter files) through the different IT environments. (For example, development of the next version should start from the “gold copy” of the production model in the repository instead of copied from whatever may reside in the production environment.)

The current draft mentions developer testing. However, it is unclear if or how other standard software and model testing processes (e.g., integration testing, user acceptance testing) are being performed.

- Any findings identified during the model change process

Only Conning and NAIC staff will be given access to edit the Model Change Documentation Template. Other model stakeholders will have Read access to the file. The Model Change Documentation Template will be available on the NAIC website (location TBD).

#### F. Model Documentation Updates

Model documentation must be updated to reflect changes made to existing models. Documentation updates are made by the model developer and reviewed by the model owner. The model steward is responsible for confirming documentation updates are made promptly.

### IX. Documentation Requirements

Conning will provide documentation on non-proprietary specifications and components of the GEMS Scenario Files used to develop the Basic Data Set and other models listed in the Model Inventory File ~~(with the exception of the Robust Data Set and API Tool, which are available from Conning for a fee).~~ Access to this documentation is available to all ~~End User~~ Model Users. Documentation will be stored on Conning's website. The NAIC's website contains a link to Conning's website which is available to all ~~End User~~ Model Users.

Conning's Software Documentation Library contains more detailed documentation. It is available to ~~End User~~ Model Users who:

- Sign Conning's Nondisclosure Agreement, or
- Choose to purchase the Robust Data Set, or
- Choose to license Conning's API Tool, or
- Choose to license Conning's software

Additional documentation will be included in the model governance spreadsheets (e.g. model inventory file, model change documentation template, etc.).

### X. Access Controls

Access controls are important to prevent unauthorized changes (whether inadvertent or otherwise). The table below summarizes the access granted to models and supporting documents.

Model or Document	Access Level Granted		
	Conning	NAIC Staff	Other Parties
Conning models listed in the Model Inventory File	Read/Write Dan Finn	None	None

#### Commented [GS175]: ACLI:

To strengthen governance, additional detail and clarification could be added on how certain aspects of the framework will be applied. For example, the following would be helpful:

Standards for what information should be included in documentation. Since model changes can have a significant impact to model users, transparency of communication/documentation and timely disclosure to users is important.

#### Commented [GS176]: ACLI:

ACLI members have also identified questions due to the proprietary nature of certain aspects of the model, particularly the Corporate Model.

- It is common practice for companies to replicate models to help manage their business (e.g., projecting future reserves / capital requirements for capital / risk management). We are concerned that an NDA would restrict this ability; we would be comfortable if the NDA explicitly prohibits the documentation from being used for any purpose external to the company or for commercial purposes.
- Further, it is unclear how ACLI could have discussions related to aspects of the generator that are proprietary. If not all of our members have signed an NDA, it would seem we would not be able to discuss those items at all. This would also be an issue for any public discussions.

#### Commented [GS177]: John Hancock:

We would also like to take this opportunity to remind you of a fundamental concern we have with the black box nature of the GEMS Corporate Bond model. We have much better control over a process that uses our own internal generator than a process that relies on a black box. It is also a more efficient and flexible process to have one source of economic scenarios for managing our business, a source that we understand and can use on demand. Today we are able to test our own internal scenario generator against the fully transparent AIRG model to ensure that the scenarios generated from our internal model do not result in a TAR that is materially lower than the TAR resulting from the use of the prescribed generator, consistent with the requirements of VM-21. From our conversations with Conning, we understand that we will not be allowed to replicate their Corporate Bond Model for the purposes of ...

#### Commented [GS178]: RRC Comment:

We suggest including clarification of a vendor's access to Conning's Software Documentation Library if a company outsources the work to a vendor and the vendor signs Conning's Nondisclosure Agreement.

#### Commented [GS179]: RRC Comment:

Regarding the people identified as having access to models and documentation, we recommend that Conning and the NAIC consider mitigants to key person risk and clarify any succession plans in place to ensure that there will be appropriate resources to update the models.

	Casey Pursley  Other Conning staff trained on NAIC model requirements  <u>Read Only</u> Other Conning staff trained on NAIC model review requirements		
NAIC Software and Programs Used to Create Model Statistics (for purposes of validating Conning's metrics periodically and after any recalibrations)	None	<u>Read/Write</u> Brian Shade Dan Reilly Jim Stinson  <u>Read Only</u> Scott O'Neal	None
Model Inventory File	Read Only	<u>Read/Write</u> Scott O'Neal Kennedy Kilale Amy Fitzpatrick	Read Only
Model Change Request Form	Read/Write	Read/Write	Read/Write
Model Change Request Inventory	Read Only	Read/Write	Read Only
Model Findings Inventory	Read Only	Read/Write	Read Only
Model Change Documentation	Read/Write	Read/Write	Read Only

## XI. Appendices

### A. Sample Monthly Model Validation Reports and Statistics

A link will be provided. Discussion is needed to finalize these.

### B. Supporting Documents

This section will contain links to supporting model governance documents.

Document	Link
Stylized Facts	
Acceptance Criteria	
Model Inventory File	
Model Findings Inventory	
Model Change Request Template	
Model Change Request Inventory	
Model Change Documentation Template	

### C. Version History

This is intended to be a public living document, to be updated whenever there are changes to any element of the GOES Model Governance Framework.

Version Number	Version Date	Description of Document Update	Author
01	9/23/2024	Preliminary draft	Pat Allison, NAIC Staff

### D. Reference Documents

The following documents were used as references in the creation of this model governance document:

1. Materials discussed at the 5/1/24 meeting of the GOES (E/A) Subgroup
  - a. “A Framework for Developing, Evaluating, and Implementing Economic Scenario Generators (ESGs) – ESG Model Governance” presented by Tony Dardis, Vice Chairperson, Economic Scenario Generator Work Group (ESGWG), American Academy of Actuaries
  - b. ACLI document on model governance, presented by Brian Bayerle

- c. "GOES E/A Subgroup – Model Governance", presented by Scott O'Neal, NAIC Staff Support for the Life Actuarial (A) Task Force and the GOES E/A Subgroup
- 2. "Model Governance Checklist", published August 2016 American Academy of Actuaries
- 3. "Model Governance Practice Note", published April 2017 American Academy of Actuaries
- 4. "Actuarial Standard of Practice No. 56 Modeling", December 2019
- 5. Professional Services Agreement Between Conning, Inc. and the National Association of Insurance Commissioners, Effective September 30, 2020
- 6. Comments on model governance from GOES field test participants



## Agenda Item 5

Discuss the Work of the Variable Annuities

Capital and Reserve (E/A) Subgroup

Draft: 7/31/25

Life Risk-Based Capital (E) Working Group  
and Variable Annuities Capital and Reserve (E/A) Subgroup  
Virtual Meeting  
July 21, 2025

The Life Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task met July 21, 2025, in joint session with the Variable Annuities Capital and Reserve (E/A) Subgroup of the Life Risk-Based Capital (E) Working Group and Life Actuarial (A) Task Force. The following Working Group members participated: Philip Barlow, Chair (DC); Ben Slutsker, Vice Chair (MN); Thomas Reedy (CA); Wanchin Chou (CT); Hannah Howard (FL); Matt Cheung (IL); William Leung (MO); Michael Muldoon (NE); Jennifer Li (NH); Seong-min Eom (NJ); William B. Carmello (NY); Andy Schallhorn (OK); Rachel Hemphill (TX); and Tomasz Serbinowski (UT). The following Subgroup members participated: Peter Weber, Chair (OH); Matt Cheung, Vice Chair (IL); Thomas Reedy (CA); Philip Barlow (DC); Ben Slutsker (MN); William Leung (MO); Seong-min Eom (NJ); William B. Carmello (NY); and Rachel Hemphill (TX).

1. Discussed Comments Received from the Academy

Maambo Mujala (American Academy of Actuaries—Academy) spoke to the comment letter from the Academy (Attachment 1) and recommended retaining the 25% scalar for the C-3 Phase II (C3PII) methodology. She said the Academy's Variable Annuity Reserves and Capital Subcommittee recommends reviewing the field test results for the generator of economic scenarios (GOES) to see if a different conditional tail expectation (CTE) level will reduce the total asset requirement (TAR) if hedging is used. The Subcommittee also recommends reviewing results on a pre-hedging basis to determine whether a different CTE level that will be used for GOES scenarios is at least as conservative as the CTE 98 level under the current Academy Interest Rate Generator (AIRG) measure.

For the C-3 phase I (C3PI) methodology, she said the Academy's C3 Subcommittee recommends having the metric aligned with that for C3PII because the goal is to align and harmonize two frameworks.

Weber asked whether there is a downside to maintaining the 25% scalar. Mujala said the Subcommittee did not have an in-depth discussion on whether the scalar should be retained.

Cheung said he would like to know what an equivalent TAR would be for 25% of the CTE 95 level, as well as what this implies for 100% company action level (CAL) risk-based capital (RBC). He said he would also like to know whether 25% of the CTE 95 level is equivalent to CTE 90 based on 2024 GOES field test results before determining whether the scalar should be kept.

Hemphill expressed her concern that scalars may vary by company due to their product mix. She said she was considering an approach of having either a scalar coupled with a specified CTE level or stand-alone CTE 90 without a scalar. She noted that the purpose of having a scalar together with a higher CTE level is to both incentivize hedging and avoid unintended impact from voluntary reserves that are held by companies.

2. Discussed Comments Received from the ACLI

Colin Masterson (American Council of Life Insurers—ACLI) spoke to the comment letter from the ACLI (Attachment 2). He said the ACLI recommends deferring revisions for the C3PI methodology to effectuate GOES along with any changes to the capital metric until the Working Group adopts the updated C3PI methodology under development by the Academy. The ACLI suggests GOES scenarios for use in calculating C3PI under the current construct be provided as an RBC sensitivity until the Academy's C3PI methodology is implemented.

For the C3PII methodology, Masterson said the ACLI recommends retaining 25% because there is not sufficient information from GOES field tests or model office testing to justify a change. He said the ACLI also recommends decreasing the CTE level to CTE 95 as the GOES will capture more of the risks from both interest rates and equities. Therefore, CTE 95 is more appropriate.

Barlow said the approach of retaining the 25% scalar with a change in the CTE level does not seem consistent with the original objective for C3PII. Reedy commented that more analysis needs to be done before regulators can move forward in any direction. Weber suggested reviewing GOES model office testing results for the alignment of different CTE levels. Scott O'Neal (NAIC) said that NAIC staff could also look into 2024 GOES field test results. However, he noted that the latest changes that were made to the GOES are not reflected in the results while the model office testing results are up to date. Cheung said it seems more reasonable to have a calibration to the stand-alone CTE 90 level rather than taking a scalar approach since it is hard to know how to calibrate for the required capital at 100% CAL RBC.

Barlow asked Hemphill whether a scalar approach would become less needed with the adoption of the GOES. Hemphill responded with a confirmative answer.

Speaking on behalf of the ACLI, Gary Hu (Prudential Financial) and Randall McCumber (Lincoln Financial Group) agreed that a scalar with a high CTE level can provide more incentives for hedging. Hu also highlighted that the current scalar approach could provide stability in RBC.

Mujala asked for clarity on whether voluntary reserves will be considered in determining the CTE level. Hemphill responded that CTE levels as shown in the proposal will come into play prior to consideration of voluntary reserves.

Barlow raised a question about how to make the scalar and CTE level appropriate and consistent across different product types. Cheung expressed his concern that scalars may vary by company due to various product types and mixes. It is expected that GOES field test results can provide some detailed information. However, O'Neal said there is a limitation on the extent of details. He suggested reviewing GOES model office testing results with a noted caveat; i.e., the industry practice was not fully replicated due to an implicit hedging program that is assumed in the model.

### 3. Exposed RBC Proposal 2025-14-L and Proposed Changes to RBC Instructions for C3PI and C3PII

Barlow and Weber jointly exposed RBC proposal 2025-14-L and proposed changes to the RBC instructions for C3PI and C3PII for a 30-day public comment period ending Aug. 20.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/A CMTE/LATF/2025-2 Summer/VACR SG/07 21 Joint LRBC WG VACR SG/0721 Joint LRBC VACR Minutes.docx

Draft: 6/5/25

Life Risk-Based Capital (E) Working Group and Variable Annuities Capital and Reserve (E/A) Subgroup  
Virtual Meeting  
May 7, 2025

The Life Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task met May 7, 2025, in joint session with the Variable Annuities Capital and Reserve (E/A) Subgroup of the Life Risk-Based Capital (E) Working Group and Life Actuarial (A) Task Force.

The following Working Group members participated: Philip Barlow, Chair (DC); Ben Slutsker, Vice Chair (MN); Sanjeev Chaudhuri (AL); Thomas Reedy (CA); Wanchin Chou (CT); Hannah Howard (FL); Mike Yanacheak (IA); William Leung (MO); Michael Muldoon (NE); Jennifer Li (NH); William B. Carmello (NY); Rachel Hemphill (TX); and Tomasz Serbinowski (UT).

The following Subgroup members participated: Peter Weber, Chair (OH); Matt Cheung, Vice Chair (IL); Thomas Reedy (CA); Philip Barlow (DC); Ben Slutsker (MN); William Leung (MO); William B. Carmello (NY); and Rachel Hemphill (TX).

1. Heard Updates on Request for NAIC to Provide GOES Sensitivity Scenarios

Scott O’Neal (NAIC) said that the NAIC will not periodically provide the Generator of Economic Scenarios (GOES) sensitivity scenarios as requested by the industry. Brian Bayerle (American Council of Life Insurers—ACLI) asked when the next scenario sets will become available. O’Neal said the NAIC is working with Conning and aims to release the scenario sets at the end of June. The scenario sets will fully reflect the recent revisions to the Treasury flooring, initial yield curve fitting methodology, and equity model calibration.

2. Discussed GOES (E/A) Subgroup Referrals to Life RBC (E) Working Group and Variable Annuity Capital and Reserve (E/A) Subgroup

O’Neal gave a presentation (Attachment A) on the two referrals from the GOES (E/A) Subgroup. He discussed some limitations of the analysis for the metrics used in the C3 Phase I (C3PI) and C3 Phase II (C3PII) summaries of the 2024 GOES field test results. He said the results may not be directly comparable across different participants, particularly for C3PII calculations, because they were not collected using a standard template. Thus, some adjustments were made where possible to make the data more comparable and some participants were removed from the analysis. O’Neal concluded by noting that the analytics can be strongly dependent on a subset of the results due to the limited number of participant results.

O’Neal went over the first referral addressed to the Working Group, in which the GOES (E/A) Subgroup asked the Working Group to implement any necessary changes to the life risk-based capital (RBC) blanks and instructions and coordinate with the Variable Annuities Capital and Reserve (E/A) Subgroup on recommending any changes to the C3PII calculation. For the C3PI calculation, the GOES (E/A) Subgroup asked the Working Group to consider any changes to the required number of scenarios and, if necessary, to the current capital metric.

O’Neal began the C3PI discussion by providing background on how the calculation works. He said the Academy Interest Rate Generator (AIRG) for C3PI has a constant mean reversion parameter (MRP) of 6.55%, which is different from the dynamic MRP in the current AIRG used in the C3PII and Valuation Manual (VM)-20, Requirements for Principle-Based Reserve for Life Products, calculations. Because the dynamic MRP resets annually, it is currently much lower than 6.55 %. He also pointed out that the weighted average metric for the

C3PI calculation, which is centered around the 95th percentile scenario, is different from a conditional tail expectation (CTE) metric used in C3PII.

O'Neal then explained the C3PI results by metric from the 2024 GOES field test. He said the C3 factor is calculated as the C3 RBC amount divided by the statutory reserve amount. He said 13 of the 16 model segments for the baseline run, which the companies provided, have a factor-based floor greater than or equal to the model-determined factor. In comparison, when the 2024 GOES field test 1 (FT1) scenarios are used, 11 of the 16 model segments have a factor-based floor greater than or equal to the model-determined factor. However, O'Neal noted that the average C3 factor from FT1 is significantly higher than the average factor-based floor due to a few companies whose lines of business are a lot more sensitive to the new scenarios.

O'Neal then talked about the average C3 factor associated with the CTE 90 metric. He noted that even though the average C3 factor increases, the same number of model segments (11 of 16) have a formulaic floor greater than or equal to the model-determined factor. He said the CTE metric increases as it goes into a higher confidence level, as shown by the average C3 factors associated with the CTE 95 and CTE 98 metrics, respectively. O'Neal pointed out that results at various percentile levels show that they may be more driven by outliers since the average values sometimes can be misleading.

Barlow asked about the scenarios that the average C3 factor from FT1 was calculated based on. O'Neal replied that the baseline run uses 50 scenarios while a minimum of 200 scenarios is required for all the field test runs. Barlow then asked whether the outliers come from any lines of business. O'Neal said some lines of business could be more susceptible than others and for those that have higher RBC factors in the baseline run, it is more likely they would be more sensitive to the GOES scenarios.

Bayerle questioned whether it made sense to implement the GOES scenarios for C3PI in 2026 given the changes to the C3PI methodology planned for 2027. O'Neal said that from the GOES (E/A) Subgroup perspective, some updates to the methodology need to be made to effectuate the GOES. Bayerle said it may be more reasonable to defer scenario updates to the C3PI methodology until the broader overhaul is completed. Barlow commented that there could be potential unintended consequences if no updates are made for 2026.

Bayerle said it will be difficult for companies to assess the impact due to changes in the methodology versus scenarios. He expressed concern about the uncertainty of the impact these changes might have on the industry in aggregate.

Cheung said that he is interested in updating the scenarios for C3PI from a regulatory perspective. He expressed his concerns, however, about updating the scenarios alone while leaving the methodology intact.

O'Neal said an exposure could be released including the presentation along with a series of questions, including whether to delay GOES implementation for C3PI.

O'Neal then talked about the second referral from the GOES (E/A) Subgroup to the Variable Annuities Capital and Reserve (E/A) Subgroup regarding: 1) any potential changes to the capital metric that is used in the C3PII calculation; and 2) asked the Subgroup to coordinate with the Working Group on any related changes to the life RBC blanks and instructions.

O'Neal provided background on the C3PII calculation. Then he went over the 2024 GOES field test results from six companies that show eight model segments altogether.

Cheung asked whether the observed higher weighted average amount is due to any outlier company result. O'Neal said some companies tend to dominate, especially with a limited sample size.

O’Neal moved on to talk about the model office results. He said all results are on an unfloored and adjusted basis.

Bayerle said it is reassuring that the model office results validate some of the differences seen in the field test results and supported effectuating the GOES for C3PII in 2026. Bayerle said that the ACLI will make a comment during an exposure period.

O’Neal proposed putting the presentation together with some cover questions to expose for public comment. Barlow and Weber agreed to review the exposure questions, provide any feedback, and then Chair expose the document for a 45-day public comment period following the call.

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

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## VM-21 RESERVES SUPPLEMENT

### Variable Annuity Reserves Valued According to VM-21 or AG 43 by Product Type

This Supplement provides information on the reserves required to be calculated by Section VM-21 of the *Valuation Manual* (VM-21) or AG 43. Business valued by the requirements of VM-21 or AG 43 should be reported in Part 3A and Part 3B. Part 3A and Part 3B are intended to aid regulators in the analysis of reserves broken down into various benefit categories for both the prior and current year.

**Commented [PW1]:** Currently, VM-21/AG43 reports in the *Variable Annuities Supplement*. VM-22 is set to report in the *VM-22 Reserves Supplement*. VM-20 reports in the *VM20 Reserve Supplement*. Based on this, the VA supplement will be renamed to *VM-21 Reserve Supplement* to conform with the other two.

**Commented [PW2]: Drafting Question:** Is it desired to have separate tables for individual contracts and for group contracts with individual certificates or can they be combined?

## VM-21 RESERVES SUPPLEMENT – PART 3A

### Variable Annuity Reserves Valued According to VM-21 by Product Type

Part 3A of this Supplement breaks out, by product type, the prior year and current year reported reserves on a Post-Reinsurance-Ceded basis as defined in Section 3 of VM-21 and a Pre-Reinsurance-Ceded basis as defined in Section 5.

Section 3 of VM-21 requires that the Post-Reinsurance-Ceded Reserve be determined in aggregate. Each of the products reported in the lines should be determined as the sum of the policy reserves using the policy reserves determined following the allocation process of VM-21 Section 13. A similar process should be used for each of the pre-reinsurance-ceded reserves.

Columns 1 & 2 – Reported Reserves in Excess of Cash Surrender Value (CSV)

Provide the reported reserve in excess of the CSV, for the prior year and current year for each line item. Post-Reinsurance-Ceded is net of reinsurance ceded. Pre-Reinsurance-Ceded should be prior to any reinsurance ceded and include reinsurance assumed. Sections 3 and 5 in VM-21 further describe the required reserve and treatment of reinsurance. The reported reserve for the current year should reflect all contracts in force as of the end of the current year. The reported reserve for the prior year should reflect all contracts in force as of the end of the prior year.

For purposes of this supplement, a Guaranteed Living Benefit (GLB) is defined in VM-01.

Each contract/certificate shall be included in one and only one line for each pre-reinsurance-ceded and post-reinsurance ceded.

For purposes of this supplement, Variable Annuities (VAs) Without Guaranteed Living Benefits includes VAs Without Living or Death Benefits, as well as VAs with Death Benefits only.

For purposes of this supplement, the accumulation phase is the period during which the contract owner or certificate holder deposits purchase payments into the deferred annuity. This phase ends when the benefit base is locked in at the start of the withdrawal phase. The withdrawal phase is the period during which the contract owner or certificate holder locks in the benefit base and withdraws income from the deferred annuity.

## VM-21 RESERVES SUPPLEMENT – PART 3B

### Variable Annuity Reserves Valued According to VM-21 by Product Type

Part 3B of this Supplement provides details underlying the Current Year amounts shown in Part 3A.

**Section A: Columns 1 through 6** are to be completed for all VM-21 reserves NOT determined using the Alternative Reserve Methodology described in Section 7 of VM-21.

**Section B: Columns 7 through 9** are to be completed if the reserves in Column 8 (Alternative Methodology Reserves) are calculated according to Section 7 of VM-21.

Columns 1 & 7	– Cash Surrender Value
	Report the Post-Reinsurance-Ceded and Pre-Reinsurance-Ceded Cash Surrender Value for each product type. The CSV is defined in VM-01 of the <i>Valuation Manual</i> .
Column 2	– CTE70 (adjusted)
	Report the unfloored Post-Reinsurance-Ceded and Pre-Reinsurance-Ceded CTE70 scenario reserves by product type using the required VM-21 “adjusted” methodology as described in VM-21 Section 4. Report the amount whether it is positive or negative; do not floor the amount at zero if it is negative.
Column 3	– CTE70 (best efforts)
	Report the unfloored Post-Reinsurance-Ceded and Pre-Reinsurance-Ceded CTE70 scenario reserves by product type using the required VM-21 “best efforts” methodology as described in VM-21 Section 4. Report the amount whether it is positive or negative; do not floor the amount at zero if it is negative.
Column 4	– Additional Standard Projection Amount
	Report the Post-Reinsurance-Ceded and Pre-Reinsurance-Ceded Additional Standard Projection Amount for each product type. Report the amount whether it is positive or negative; do not floor the amount at zero if it is negative. The Additional Standard Projection Amount is defined in Section 6 of VM-21.
Column 5	– Stochastic Reserve
	Report the Post-Reinsurance-Ceded and Pre-Reinsurance-Ceded Stochastic Reserve for each product type. Report the amount whether it is positive or negative; do not floor the amount at zero if it is negative. The Stochastic Reserve calculation is defined in Section 4 of VM-21.
Columns 6 & 9	– Number of Contracts
	Report the number of individual contracts or certificates in a group contract by product type and by the required VM-21 methodology as described in Section A and Section B above. The number of individual contracts or certificates in a group contract should be prior to any reinsurance ceded and include reinsurance assumed.
Column 8	– Alternative Method Reserve
	Report the Post-Reinsurance-Ceded and Pre-Reinsurance-Ceded Alternative Method Reserve for each product type. Report the amount whether it is positive or negative; do not floor the amount at zero if it is negative. The Alternative Method Reserve calculation is defined in Section 7 of VM-21.





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April 3, 2025

Peter Weber  
Chair, NAIC Variable Annuities Capital and Reserve (E/A) Subgroup

Matt Cheung,  
Vice Chair, NAIC Variable Annuities Capital and Reserve (E/A) Subgroup

Re: Draft Blanks Changes to the Variable Annuities (VA) Supplement in the Annual Statement

Dear Chair Weber and Vice Chair Cheung:

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide feedback on the Variable Annuities Capital and Reserve (E/A) Subgroup exposure of draft Blanks changes to the VA Supplement in the Annual Statement. ACLI is also grateful for the work done by regulators and Subgroup staff to date in crafting the latest version of this document based on previous comments received, including those submitted by our organization on January 15, 2025. In accordance with the structure of the exposure itself, ACLI offers the following feedback:

Part 3A:

- We believe Part 3A is a reasonable request as it well summarizes the output defined by VM-21 (aggregate reserve allocated to contract level).
- ACLI requests that the Subgroup clearly define both “Accumulation Phase” and “Withdrawal Phase” as this is necessary to ensure consistent interpretation across companies.

Part 3B:

- Allocation of components other than the aggregate reserve are not defined by VM-21. We believe annual statement exhibits and supplements should be summarizing information that

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is required by the calculation methodologies, not creating new calculations or new allocations.

- ACLI recommends that Part 3B request the aggregate balances of the components. This fits the criteria for being output that naturally occurs when calculating VM-21. However, we do note that this information is already requested and provided in the VM-31 PBR Actuarial Report, so we question whether it also needs to be provided in the VA Supplement.
- Part 3B will also not provide insight into the relationship between components by the categories listed. Even if the VM-21 aggregate reserve allocation approach was extended to all components, it would only result in the same proportion of the excess over CSV for each component being assigned to a given category. In turn, that means each category displays the same relationship across components that would be observed in the aggregate.
  - An example describing these comments in more detail can be found below:

Benefit	CSV	Risk Measure	Excess for Allocation	Aggregate Reserve	CTE70 (adj)	CTE70 (BE)	PPA
GMWB	60	80	20	92	84	92	68
GMIB	10	5	0	10	10	10	10
GMDB	30	35	5	38	36	38	32
Total	100	120	25	140	130	140	110

- The labels GMWB/GMIB/GMDB are best understood as 3 contracts to demonstrate mechanics and numbers are not intended to reflect the relative risk of the benefits across the industry.
  - Per VM-21 guidance, the aggregate reserve is allocated as:  $\text{Seriatim CSV} + (\text{Total Aggregate Reserve} - \text{Total CSV}) * (\text{Seriatim Excess for Allocation} / \text{Total Excess for Allocation})$
  - Applying this allocation approach to the other metrics results in the exact same relationship for each benefit/contract that is seen in aggregate. Most importantly, it does not provide insight into nuance of the underlying risk of the individual benefits.

Thank you once again for the consideration of our comments and we look forward to additional discussion at a future Subgroup session. If you have any questions, please do not hesitate to reach out to ACLI staff.

Sincerely,

 Colin Masterson

cc: Jane Ren, NAIC

Hi Pete,

The Academy VA Reserves and Capital Subcommittee had a chance to discuss the latest exposure on the VM-21 supplement. We did not have any substantive feedback and would forgo a formal comment letter.

In lieu of a letter, our only comment would be to clarify in the instructions that *Variable Annuities Without Guaranteed Living Benefits* includes VAs without living or death benefits, as well as VAs with death benefits only.

Thanks,

Maambo Mujala

Hi, Jane,

My recommendation would be to change the layout to make the VAS easier to read:

1. Post-Reinsurance-Ceded Reserve
1.1. Variable Annuities
a. Without Guaranteed Living Benefits
b. With Guaranteed Minimum Accumulation Benefits
c. With Guaranteed Minimum Withdrawal, or Income, Benefits - Accumulation Phase
d. With Guaranteed Minimum Withdrawal, or Income, Benefits - Withdrawal Phase
1.2. Index-Linked Variable Annuities
a. Without Guaranteed Living Benefits
b. With Guaranteed Minimum Withdrawal, or Income, Benefits - Accumulation Phase
c. With Guaranteed Minimum Withdrawal, or Income, Benefits - Withdrawal Phase
1.3. Immediate Variable Annuities
a. With a Guaranteed Annuity Payout Floor
1.4. Aggregate Write-Ins for Other Products

Gina R Boyer, FSA, MAAA  
Sr Staff Actuary, Corporate Actuarial  
Finance & Actuarial





## 5. Discuss the Work of the Variable Annuities Capital and Reserve (E/A) Subgroup

Peter Weber, ASA, MAAA  
Chair, Variable Annuities Capital and  
Reserve (E/A) Subgroup



## Agenda

1. July 22<sup>nd</sup> Exposure: C3 Phase II Highlights
2. Field and Model Office Data, Limitations, and Next Steps

# July 22<sup>nd</sup> Exposure: C3 Phase II Highlights

## C3 Phase II Metric

- Pre-VA Reform: CTEAT(90) - Statutory Reserve\*
- Current:  $25\% \times [\text{CTEAT}(98) + \text{ASPA} - \text{Statutory Reserve}]^*$
- Proposed: CTEAT(90) - SR\*

## Guidance Note

- The SR is the CTE70 (Best Efforts) +  $E \times \max[0, \text{CTE70 (Adjusted)} - \text{CTE70 (best efforts)}]$ , before consideration of the Additional Standard Projection Amount, Asset Adequacy Reserves, or Voluntary Reserves. Voluntary reserve means any reserve that is not required by AG-43, VM-21 and/or a state in which the company is doing business.

## Phase-in

- Phase-in amount (PIA) is the difference between the C3 Phase II RBC amount at year-end 2025, and the 2025 year-end amount with the same inforce but using GOES and the revised C3 Phase II metric
- 1/3 of the difference is phased-in at year-end 2026, with the rest taken in 2027 and 2028

# Field and Model Office Data, Limitations, and Next Steps

## Field Test Data

- For the 2024 GOES Field Test, standard templates were not used to collect results. This made the data across participants sometimes challenging to compare and some participants had to be removed from the analysis due to these challenges.
- Adjustments to the data were made in order to achieve comparability across the participants.

## Model Office Results

- Unfloored, VM-21 adjusted model office results are shown for three different model cohorts.
- The model office only includes implicit hedging - so therefore will not capture the full scenario impacts of companies that use explicit hedging

## Next Steps

- CTE Best-efforts results can be produced for the three cohorts, and a clearer picture of the model office scenario impacts to the Total Asset Requirement can be presented.
- NAIC Staff plan to produce model office results for a meeting to be scheduled after the end of the exposure period (9/19).



# C3 Phase II Field and Model Office Testing Results Shared at 5/7/25 Joint LRBC WG/VACR SG Call

# 2024 GOES Field Test C3 Phase II Results by Metric

Statistics	Baseline CTE98/Baseline CTE70 -1	FT1 CTE 70/Baseline CTE70 -1	FT1_CTE90/FT1_CTE70-1	FT1_CTE95/FT1_CTE70-1	FT1_CTE98/FT1_CTE70-1
25th Percentile	0.50%	0.05%	0.22%	0.85%	1.38%
Median	1.48%	0.21%	0.69%	1.59%	3.14%
75th Percentile	2.91%	0.33%	1.35%	2.39%	3.66%
Weighted Average	1.63%	0.55%	0.76%	1.58%	2.53%

- The table above shows summarized 2024 GOES Field Test data across 8 model segments from six different field test participants. The averages shown were weighted by baseline CTE 70 amount.
- The CTE 70 and CTE 98 amounts include the cash value.
- The Baseline CTE 98 was **1.63% greater** than the Baseline CTE 70 amount.
- Comparing the CTE 70 from FT1 to that of the Baseline, the ratio of the FT1 CTE 70 was **0.55%** greater.
- Alternative metrics were compared to the FT1 CTE 70 amount, with the following results:
  - FT1 CTE 90 was **0.76% greater**
  - FT1 CTE 95 was **1.58% greater**
  - FT1 CTE 98 was **2.53% greater**

# Variable Annuity Model Office Results by Metric

- Unfloored, VM-21 adjusted model office results are shown for three different cohorts:
  - New Business, Weak Guarantee, In-the-money
  - New Business, Strong Guarantee, Out-the-money
  - Mature Business, Strong Guarantee, At-the-money
- The potential capital metrics (CTE90, CTE 95, and CTE 98) were higher using the Current Revised GOES scenarios compared to those produced using the AIRG. The differences got wider with higher confidence levels.
- When comparing the potential capital metrics to their respective CTE 70 amount (AIRG or Revised GOES Scenarios), CTE 95 for the Revised GOES Scenarios was more consistent with the current CTE 98 metric used with the AIRG.

## Unfloored, Adjusted Results by Metric

New Weak ITM	CTE70	CTE90	CTE90/CTE70	CTE95	CTE95/CTE70	CTE98	CTE98/CTE70
AIRG	86,782,233	93,802,216	8.09%	97,074,573	11.86%	100,784,003	16.13%
Current Revised GOES Scenarios	85,327,307	94,375,628	10.60%	100,329,626	17.58%	109,371,008	28.18%
Revised Scenarios vs AIRG	-1.68%	0.61%		3.35%		8.52%	

New Strong OTM	CTE70	CTE90	CTE90/CTE70	CTE95	CTE95/CTE70	CTE98	CTE98/CTE70
AIRG	84,951,284	90,714,237	6.78%	93,488,137	10.05%	96,473,555	13.56%
Current Revised GOES Scenarios	83,804,603	91,050,692	8.65%	96,158,612	14.74%	103,396,668	23.38%
Revised Scenarios vs AIRG	-1.35%	0.37%		2.86%		7.18%	

Mature Strong ATM	CTE70	CTE90	CTE90/CTE70	CTE95	CTE95/CTE70	CTE98	CTE98/CTE70
AIRG	92,803,482	96,793,955	4.30%	99,081,186	6.76%	101,958,674	9.87%
Current Revised GOES Scenarios	92,455,849	97,970,909	5.97%	101,897,993	10.21%	107,823,623	16.62%
Revised Scenarios vs AIRG	-0.37%	1.22%		2.84%		5.75%	

# Variable Annuity Model Office Results by Metric

Unfloored, Adjusted Results by Metric **in Excess of Cash Value**

New Weak ITM	CTE70	CTE90	CTE90/CTE70	CTE95	CTE95/CTE70	CTE98	CTE98/CTE70
AIRG	0	0	NA	3,074,573	NA	6,784,003	NA
Current Revised GOES Scenarios	0	375,628	NA	6,329,626	NA	15,371,008	NA
Revised Scenarios vs AIRG	NA	NA		105.87%		126.58%	

CSV	94,000,000
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New Strong OTM	CTE70	CTE90	CTE90/CTE70	CTE95	CTE95/CTE70	CTE98	CTE98/CTE70
AIRG	0	0	NA	0	NA	2,473,555	NA
Current Revised GOES Scenarios	0	0	NA	2,158,612	NA	9,396,668	NA
Revised Scenarios vs AIRG	NA	NA		NA		279.89%	

CSV	94,000,000
-----	------------

Mature Strong ATM	CTE70	CTE90	CTE90/CTE70	CTE95	CTE95/CTE70	CTE98	CTE98/CTE70
AIRG	0	0	NA	0	NA	2,004,674	NA
Current Revised GOES Scenarios	0	0	NA	1,943,993	NA	7,869,623	NA
Revised Scenarios vs AIRG	NA	NA		NA		292.56%	

CSV	99,954,000
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## Agenda Item 6

Consider Adoption of Historical Mortality  
Improvement (HMI) and Future Mortality  
Improvement (FMI) Factors

# 2025 HMI and FMI VM20 Mortality Improvement Recommendation

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

AUGUST | 2025

# 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.*

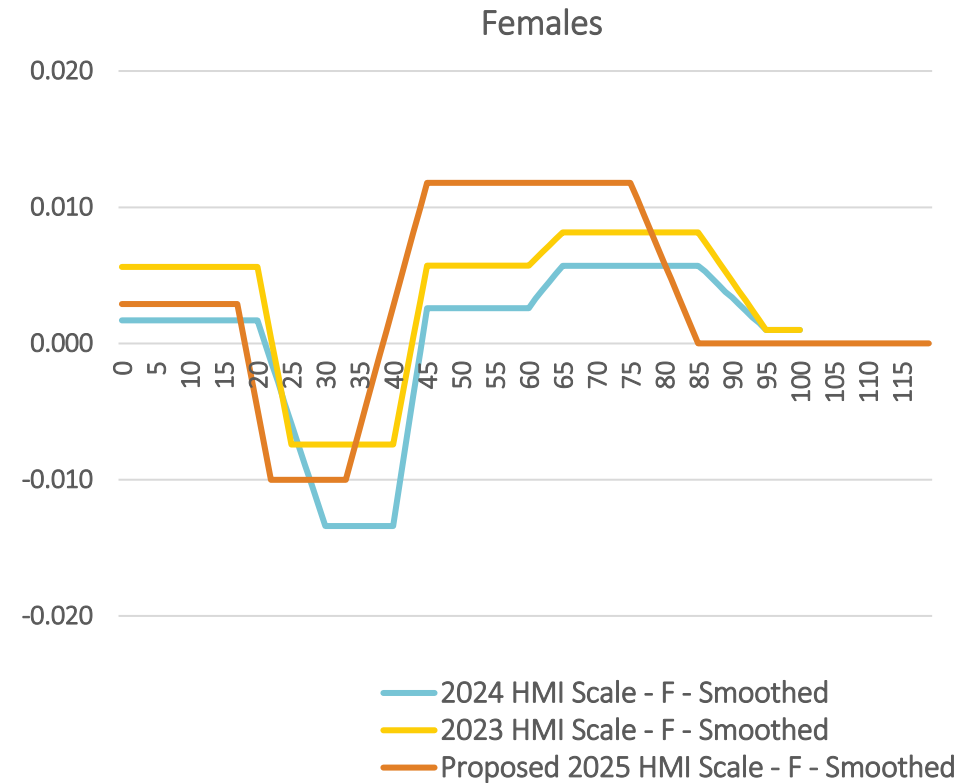
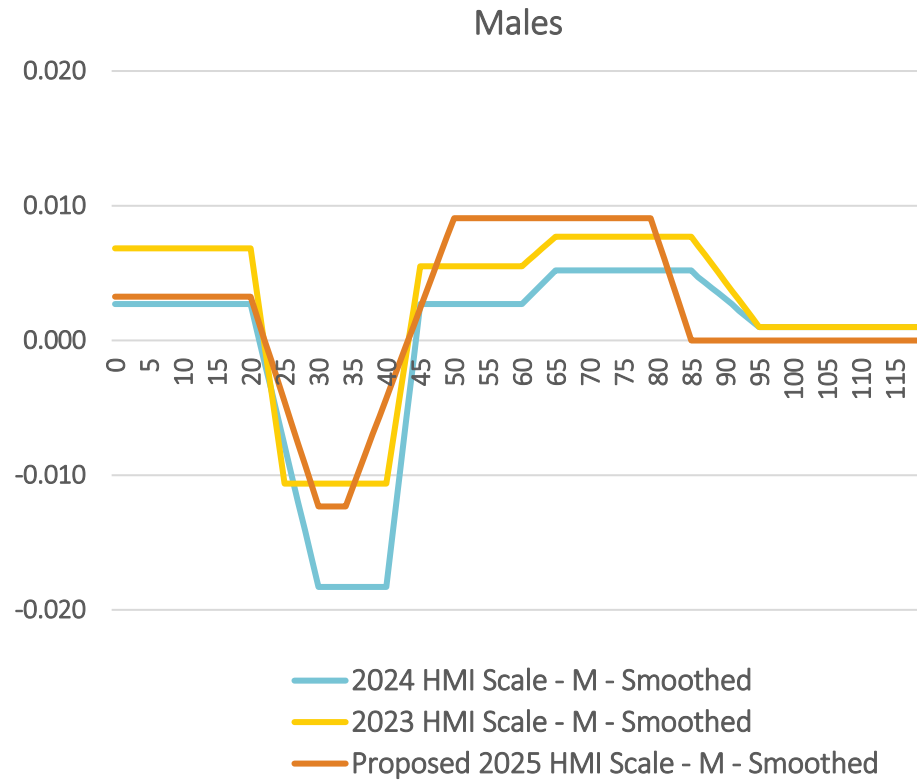
# Agenda

Review and request approval for the recommended individual life insured historical mortality improvement (HMI) and future mortality improvement (FMI) for use with VM20 for fully underwritten business.

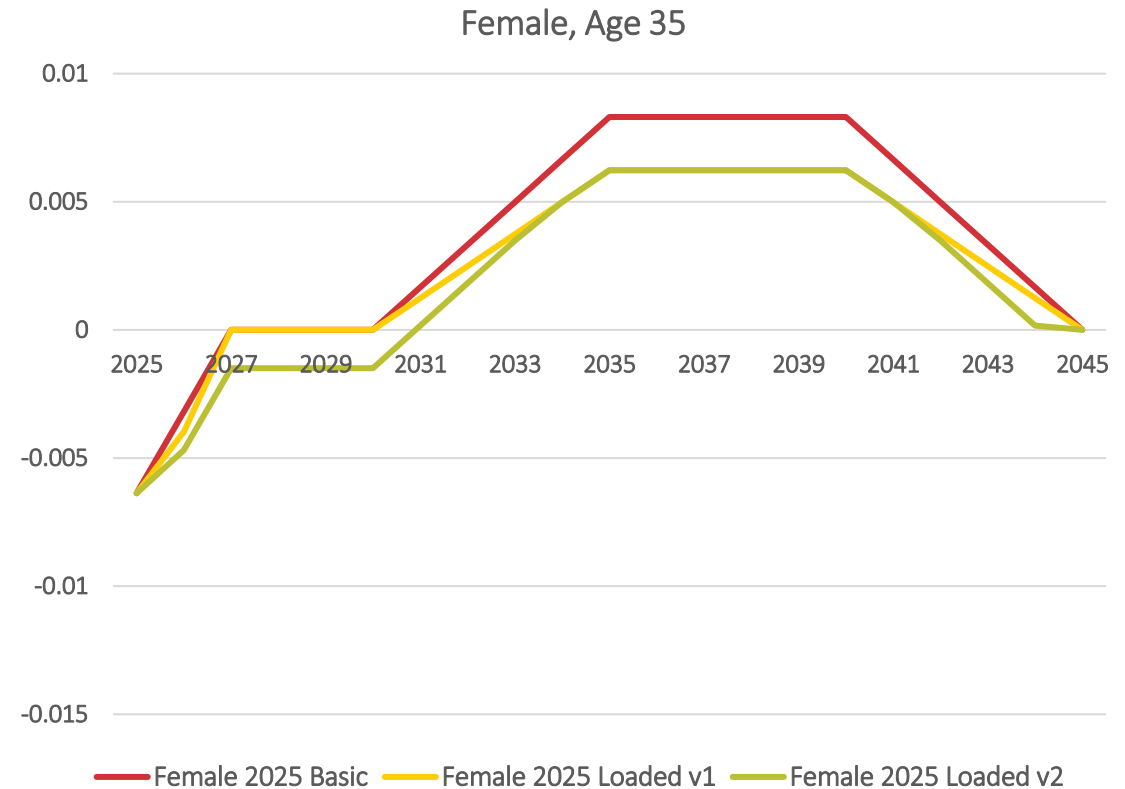
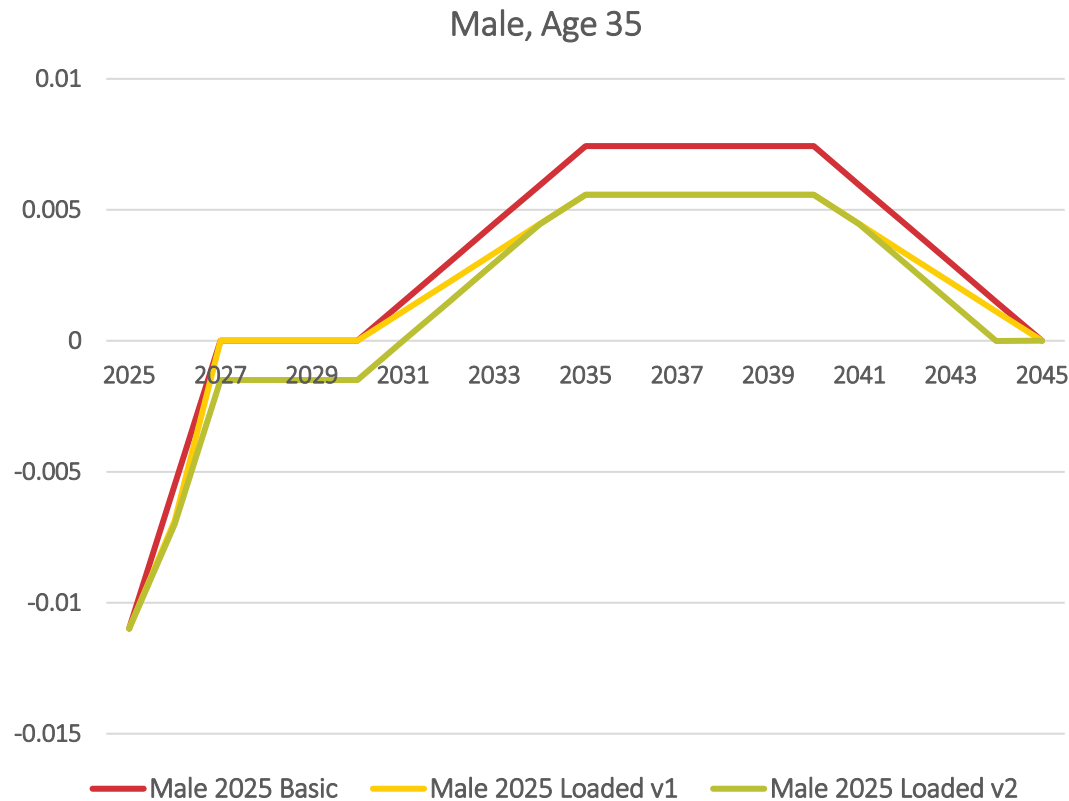
Confirm recommendation for limited underwriting continued use of the assumption of zero historical and future mortality improvement.



# 2025 HMI Recommendation – Fully Underwritten Business

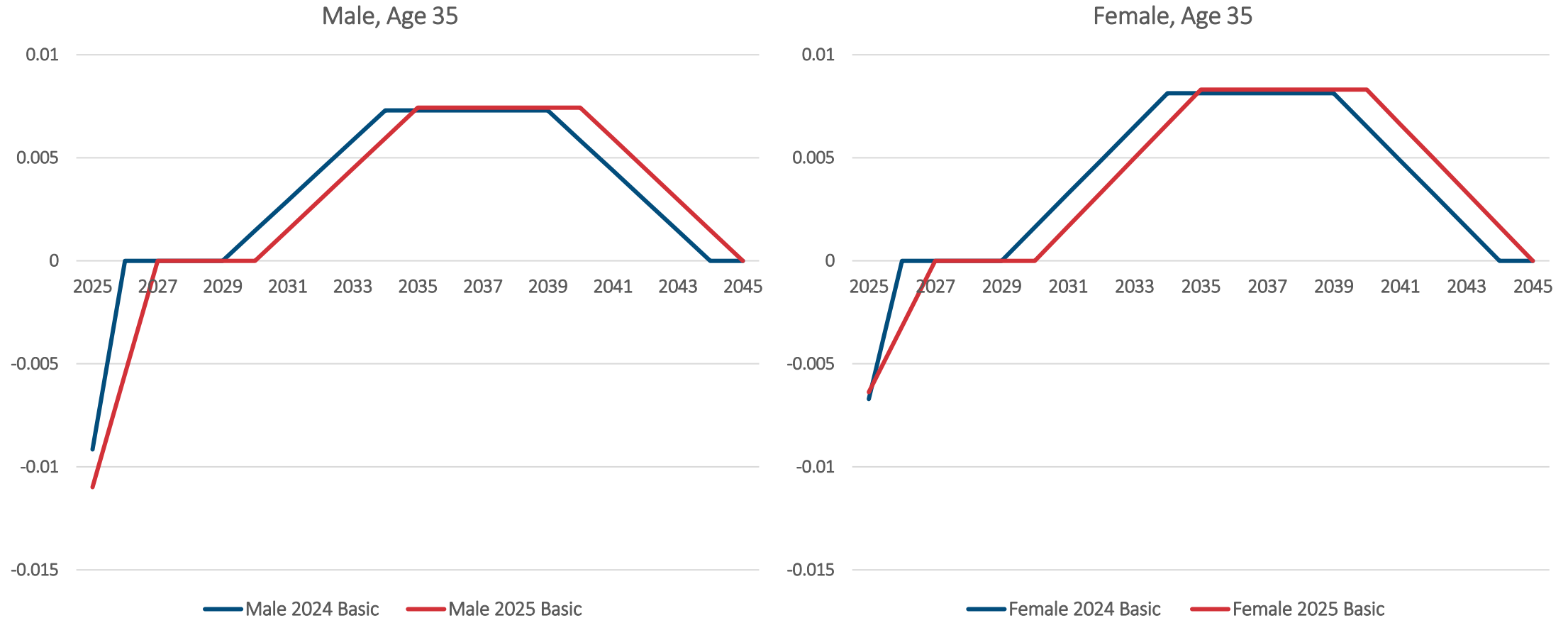


# 2025 FMI Recommendation – Age 35

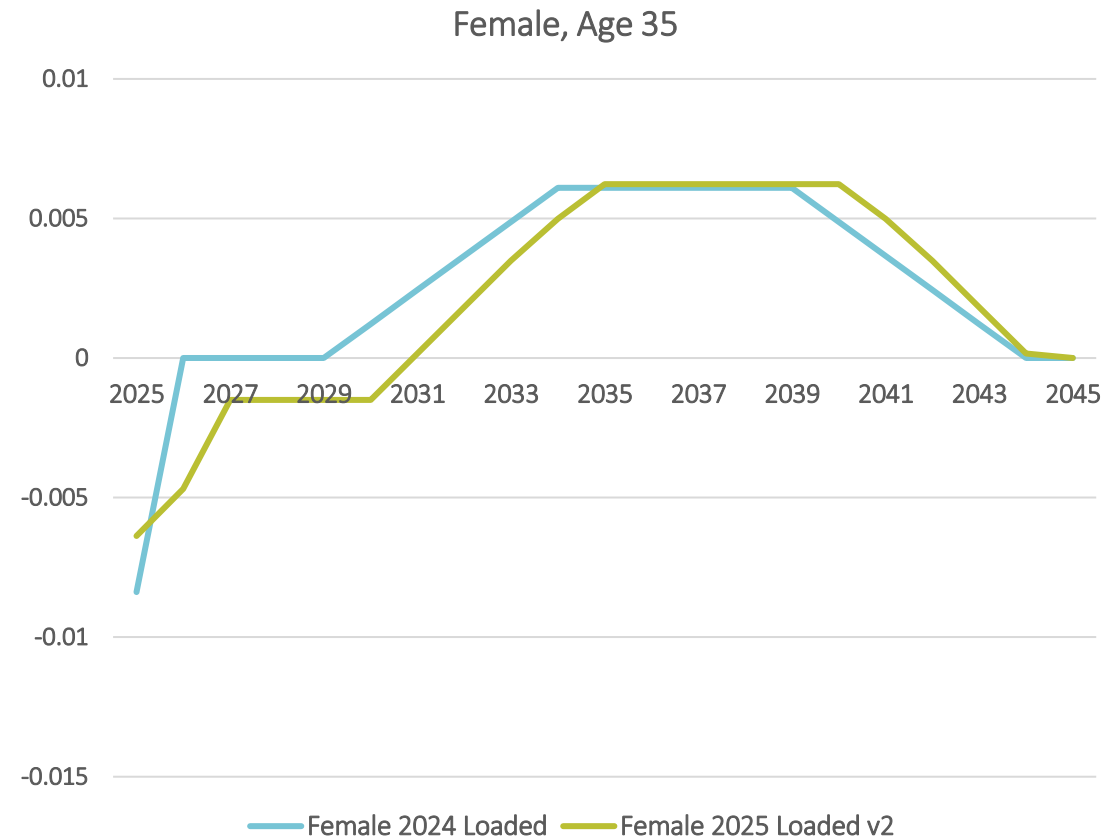
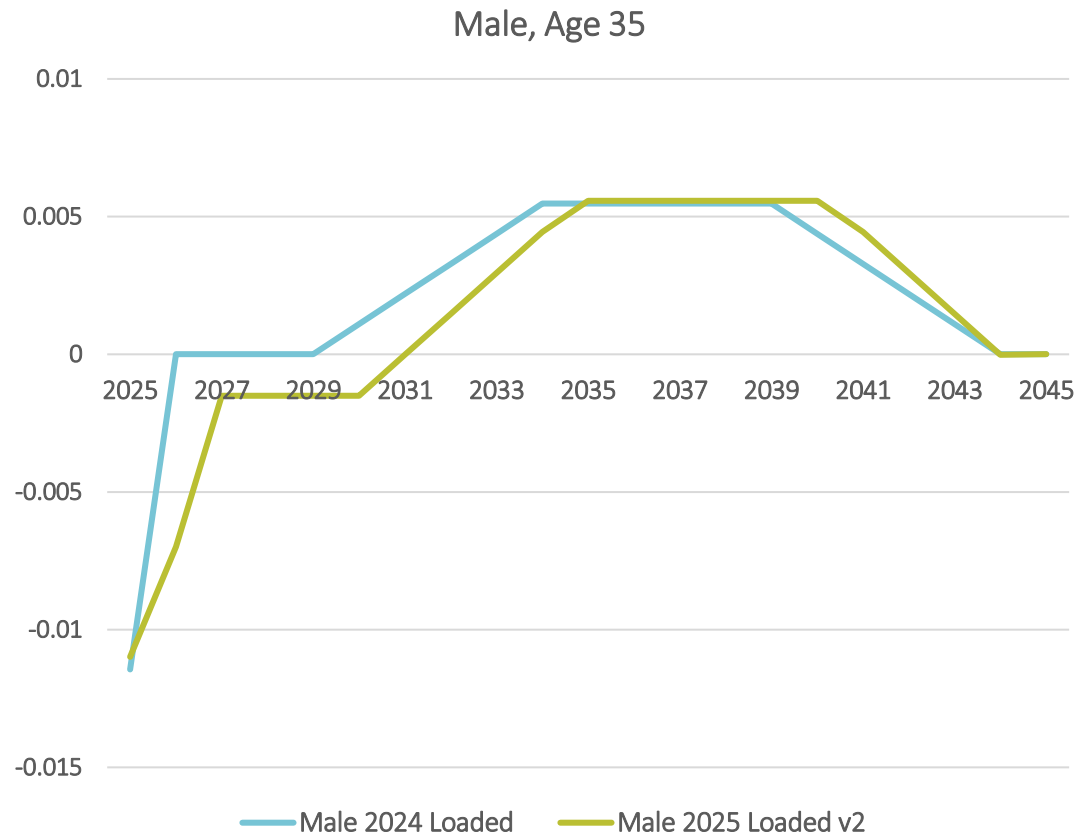


- FMI is applied at sample attained age in each projection year (i.e., attained age is constant across projection).
- FMI starts at 2025 HMI levels and is projected to the MI Long-Term-Rate (MI LTR) over first 10 years of the reserve projection.
- **Loaded v1 scale** = 25% reduction in Basic Scale FMI, **Loaded v2 scale** = 25% reduction in Basic Scale FMI with a floor of 15 basis points.

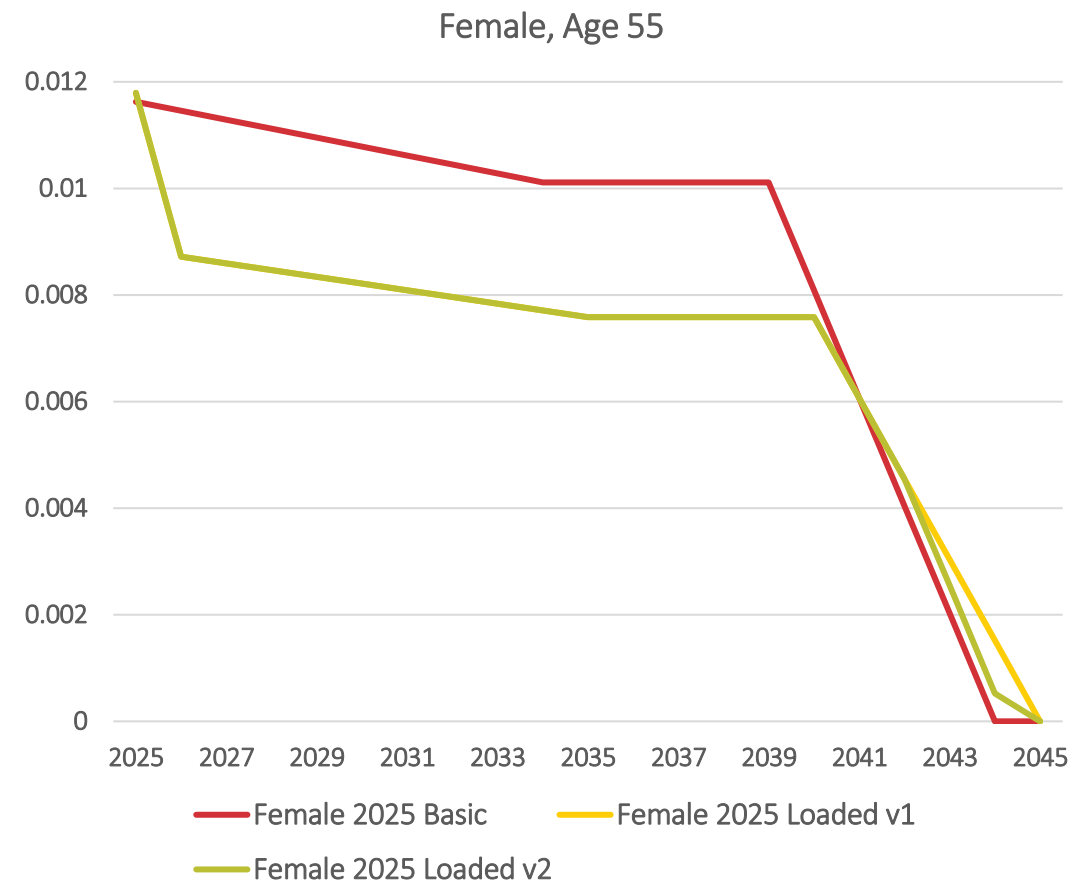
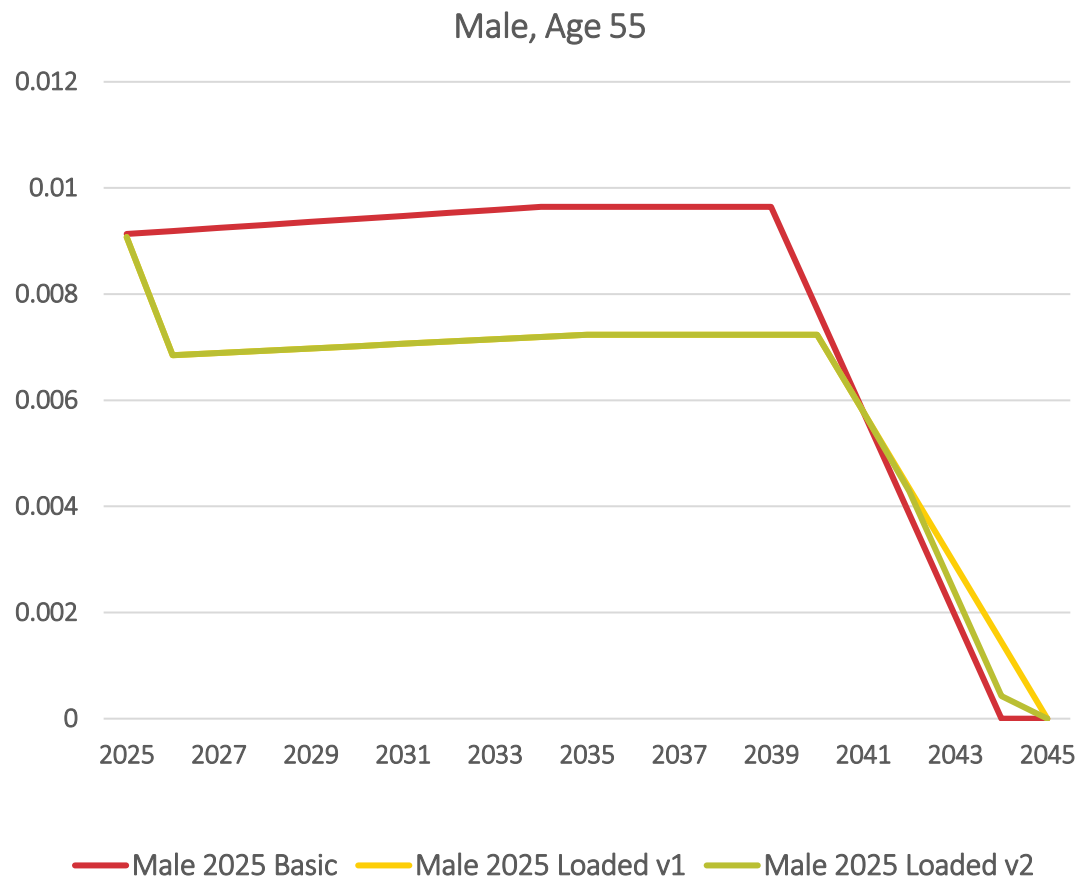
# Basic FMI Scales – 2024 and 2025 – Age 35



# Loaded FMI Scales – 2024 and 2025 – Age 35



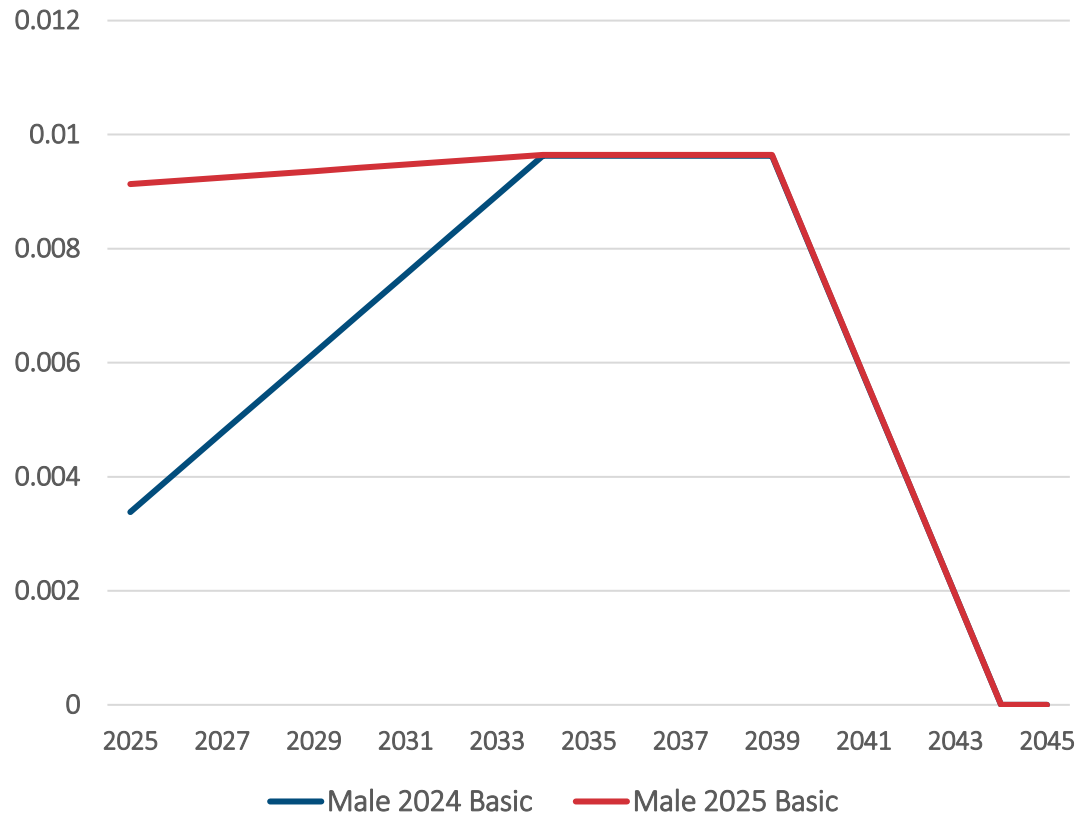
# 2025 FMI Recommendation – Age 55



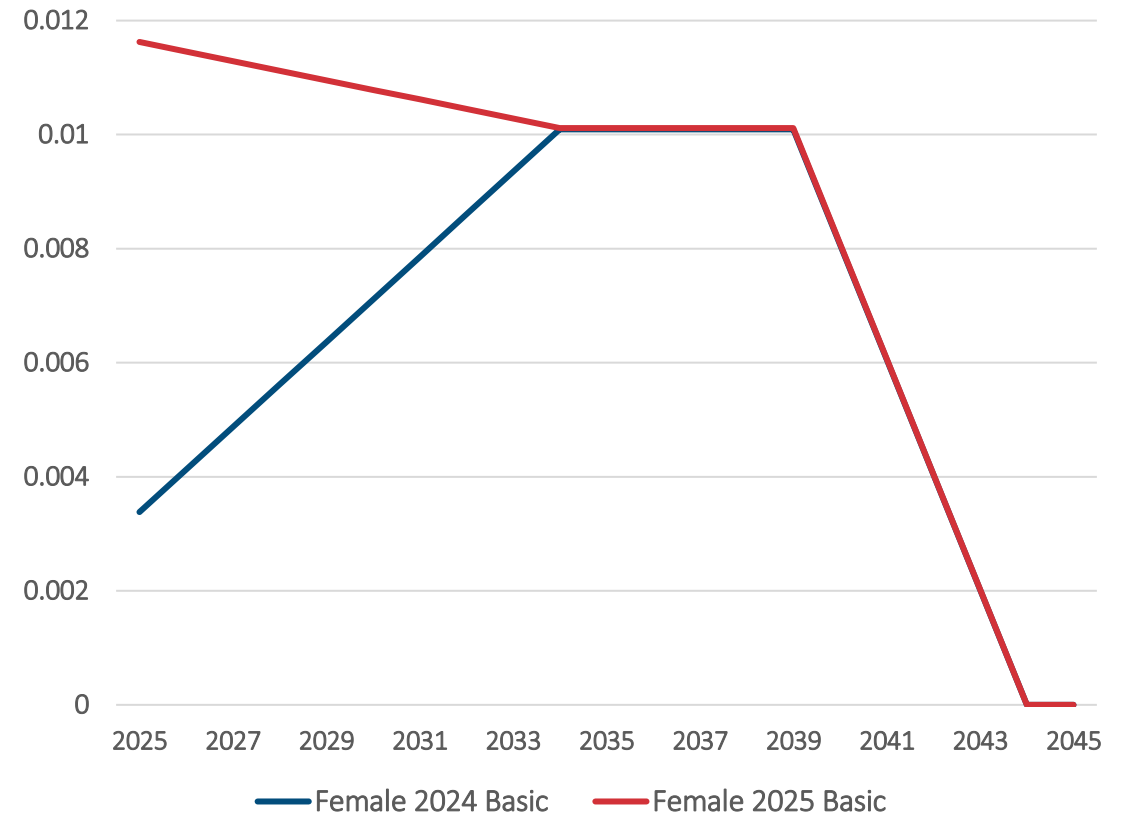
- FMI applied at sample attained age in each projection year (i.e., attained age is constant across projection years)
- FMI starts at 2025 HMI levels and is projected to the MI Long-Term-Rate (MI LTR) over first 10 years of the reserve projection<sub>161</sub>
- **Loaded v1 scale** = 25% reduction in Basic Scale FMI, **Loaded v2 scale** = 25% reduction in Basic Scale FMI with a floor of 15 basis points.

# Basic FMI Scales – 2024 and 2025 – Age 55

Male, Age 55

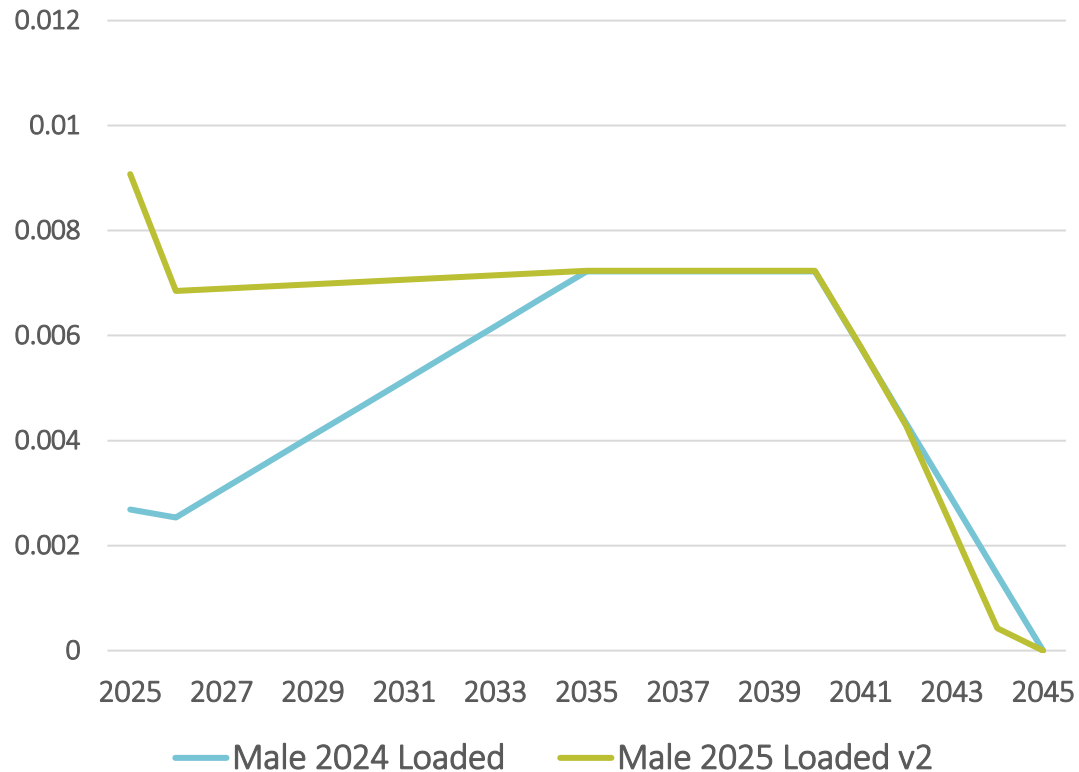


Female, Age 55

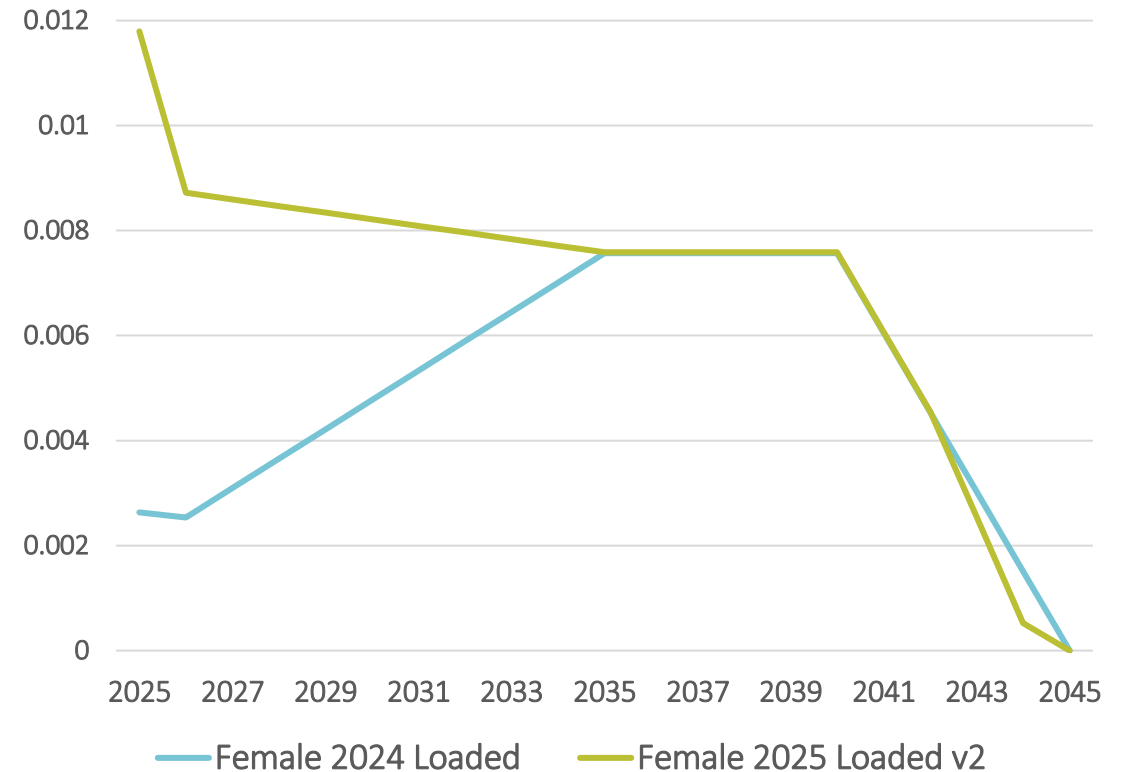


# Loaded FMI Scales – 2024 and 2025 – Age 55

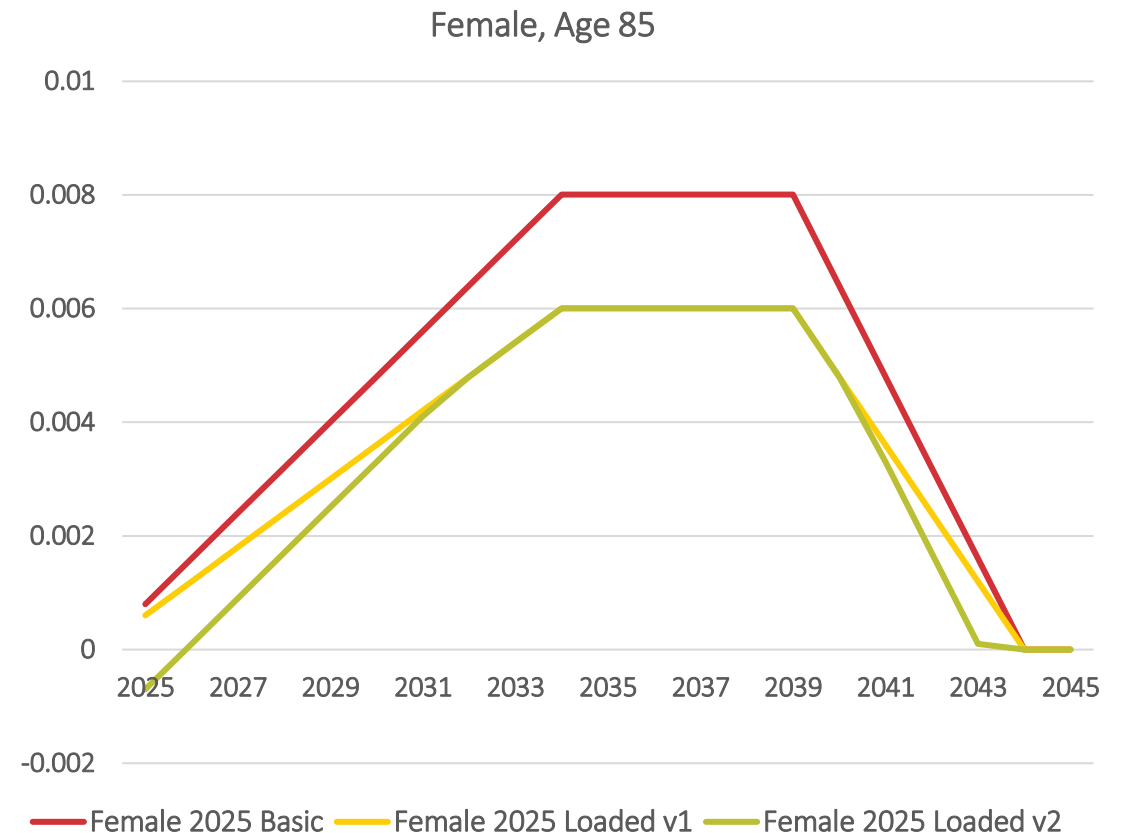
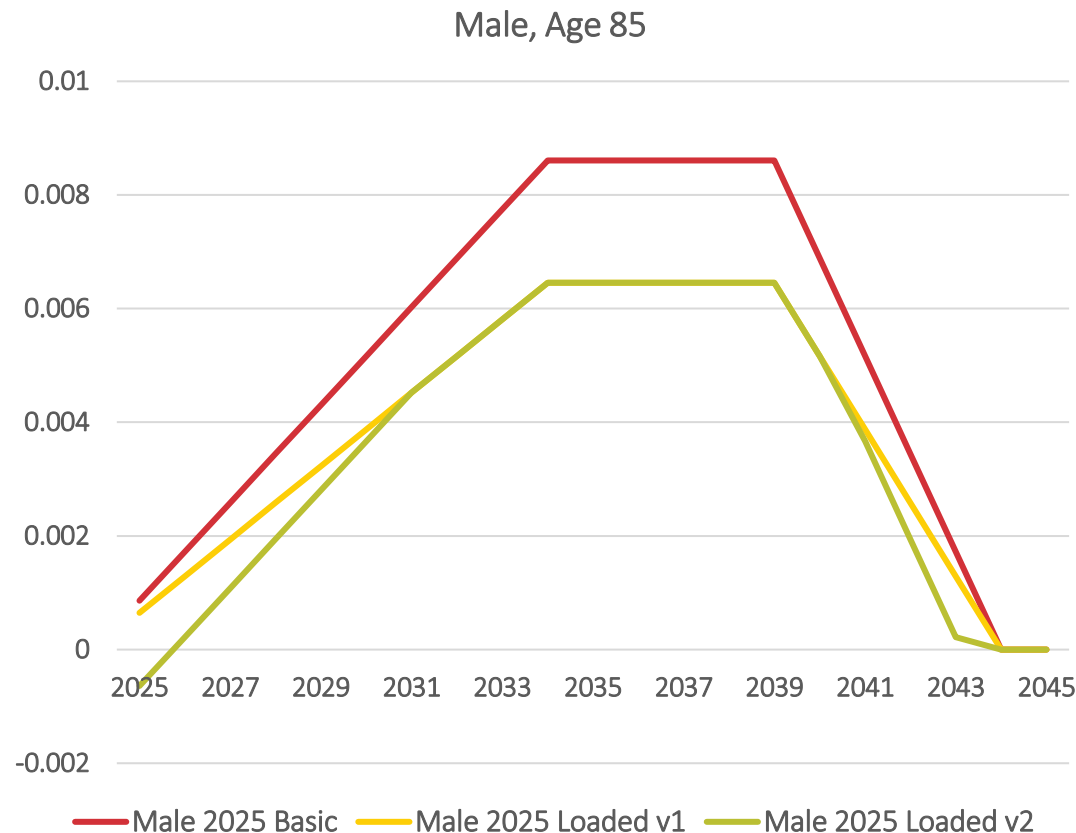
Male, Age 55



Female, Age 55



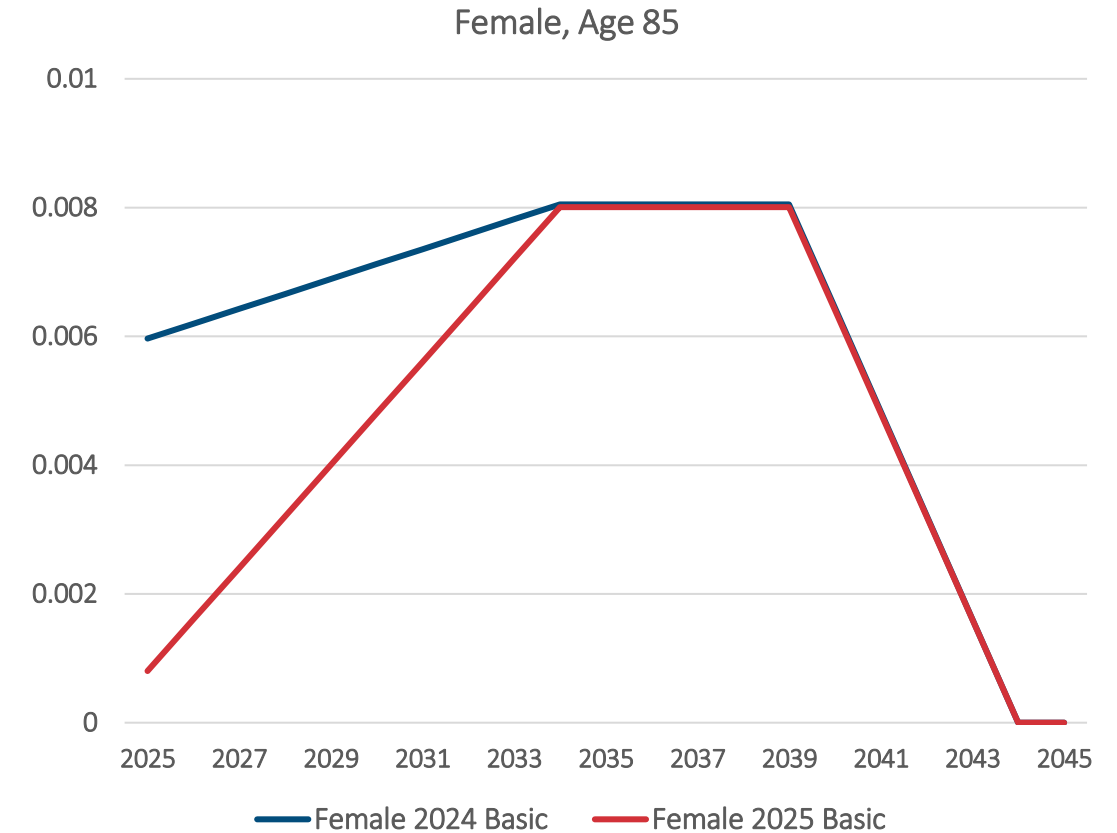
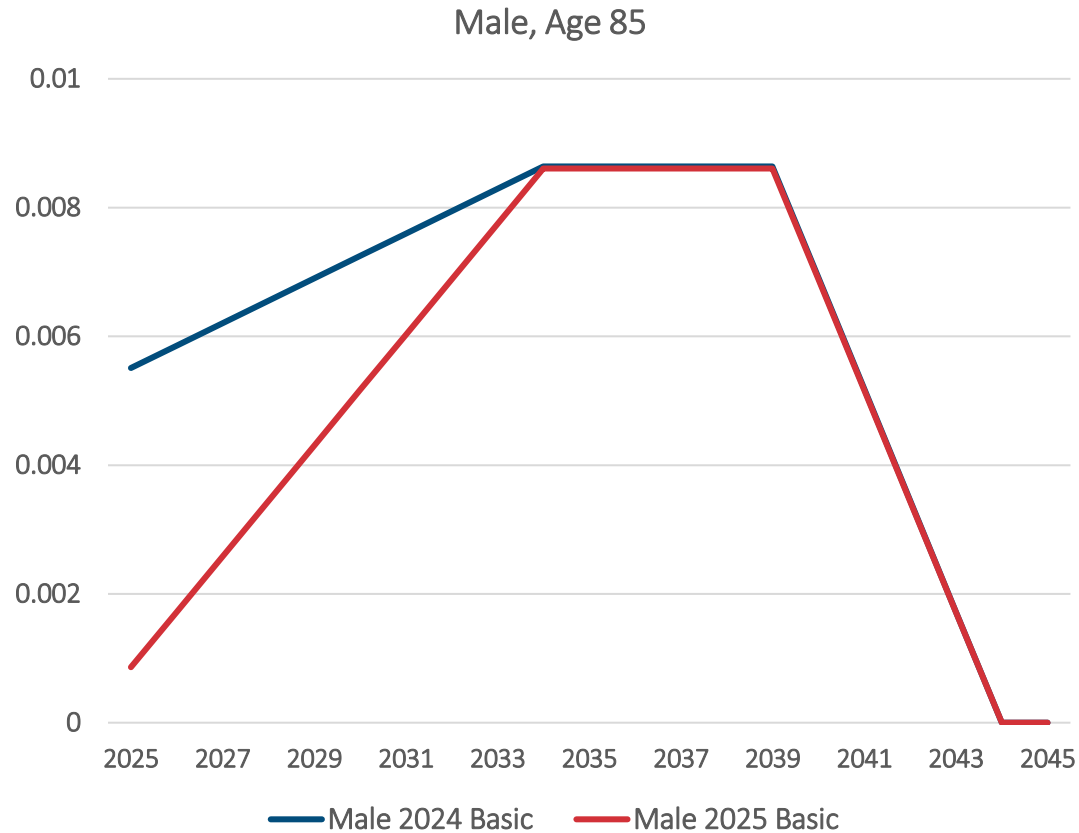
# 2025 FMI Recommendation – Age 85



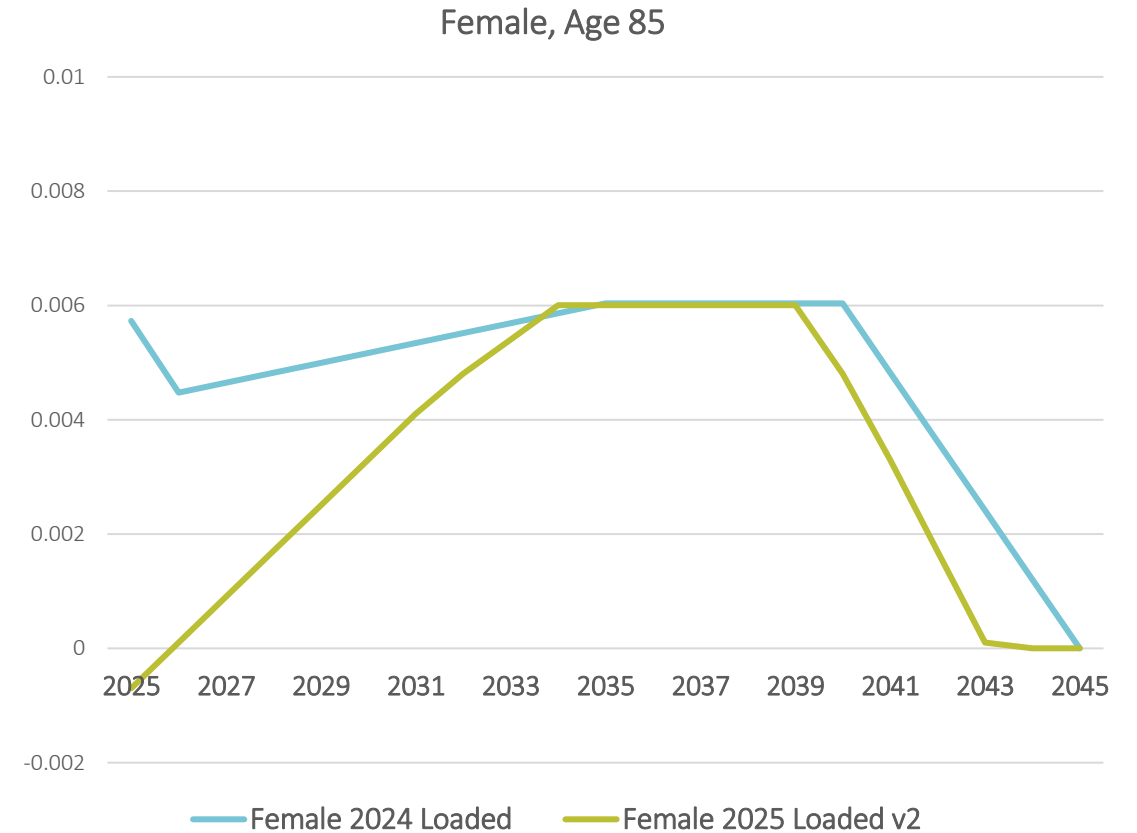
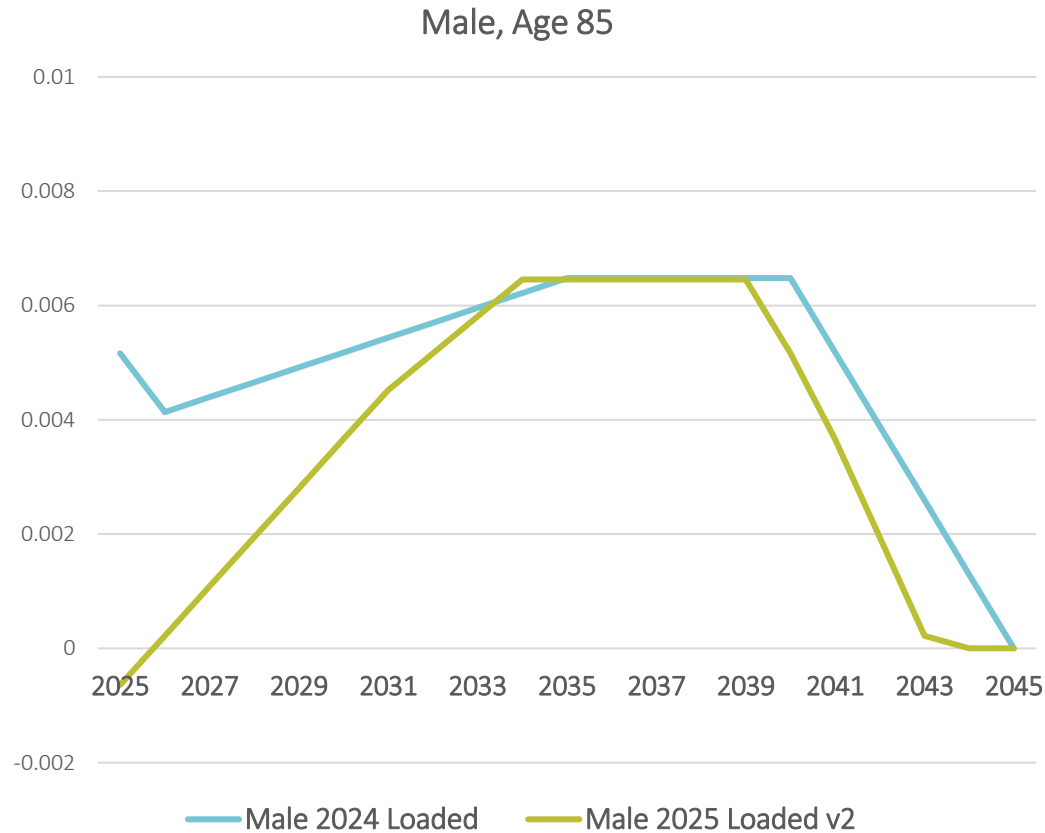
- FMI applied at sample attained age in each projection year (i.e., attained age is constant across projection years)
- FMI starts at 2025 HMI levels and is projected to the MI Long-Term-Rate (MI LTR) over first 10 years of the reserve projection.
- **Loaded v1 scale** = 25% reduction in Basic Scale FMI, **Loaded v2 scale** = 25% reduction in Basic Scale FMI with a floor of 15 basis points.



# Basic FMI Scales – 2024 and 2025 – Age 85



# Loaded FMI Scales – 2024 and 2025 – Age 85

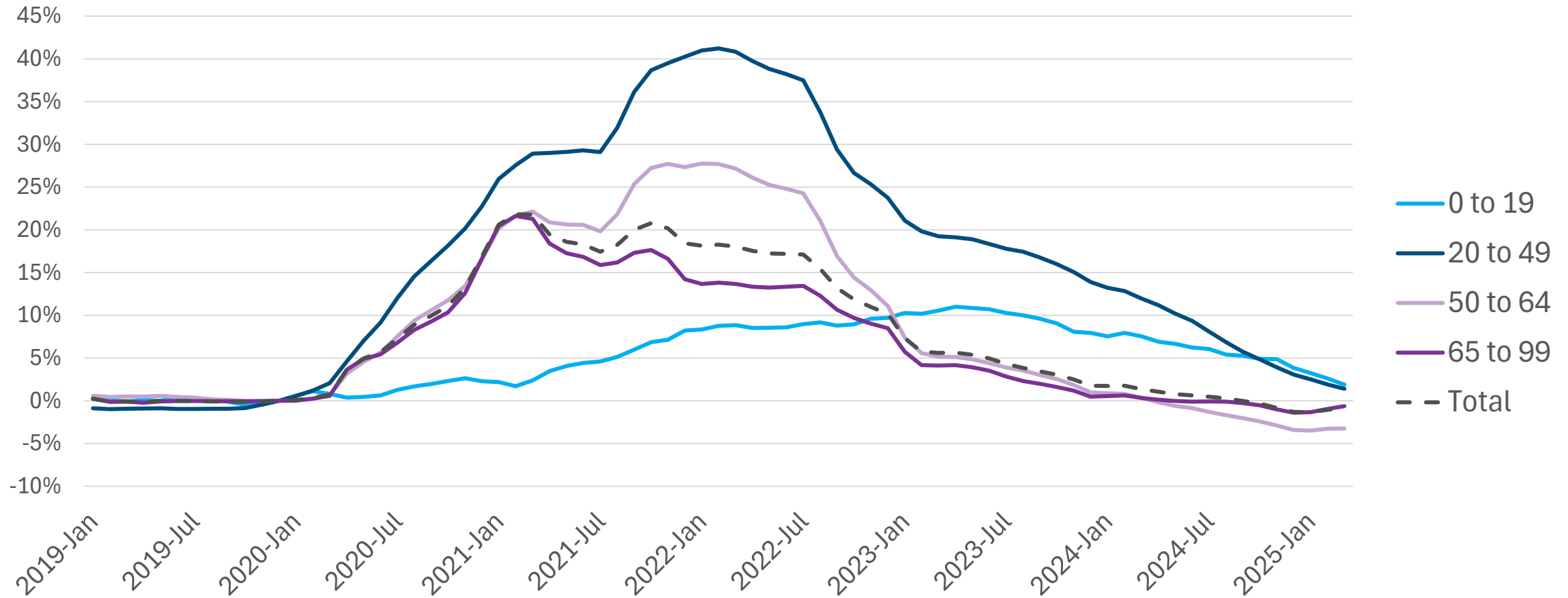


# Appendix

# General Population Data

## Age Standardized Excess Mortality versus 2019 Level

### 2019-2025 – Male and Female Combined



# HMI Recommendation – Fully Underwritten Business

## Overview of Work to Date

- Predictive model built

To identify and quantify the primary non-biometric factors impacting mortality improvement results in the individual life insured population data. Non-biometric factors include changes in distribution of business by face amount band, risk class, plan of insurance, issue year and policy duration.

- MI analysis tool developed

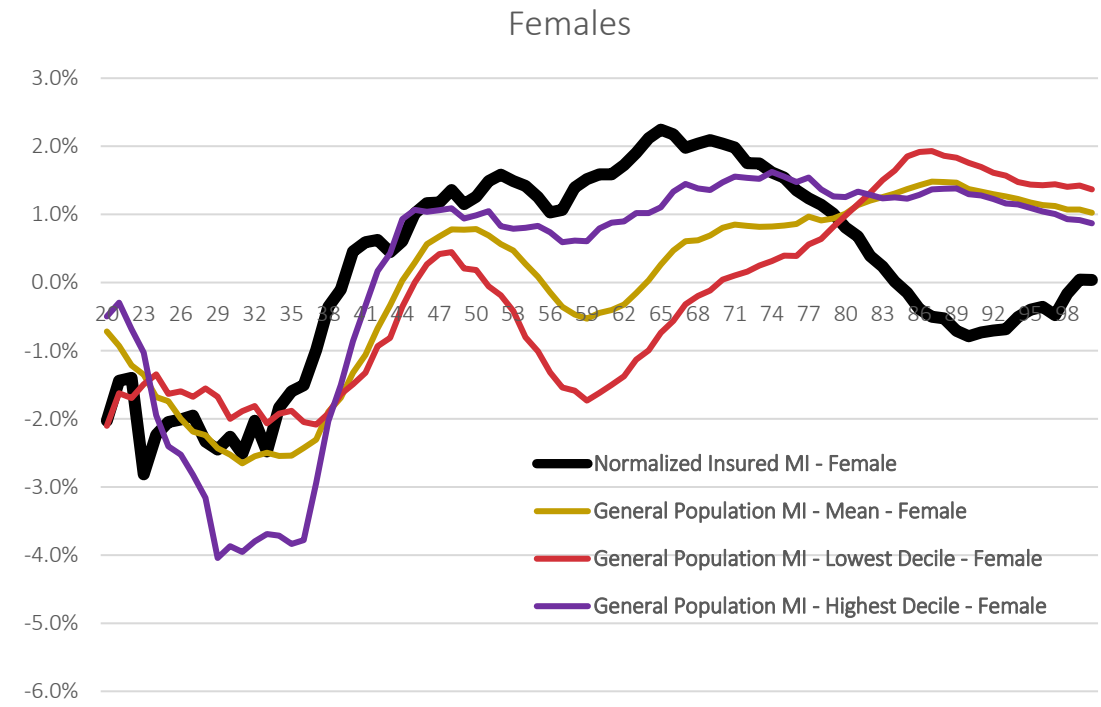
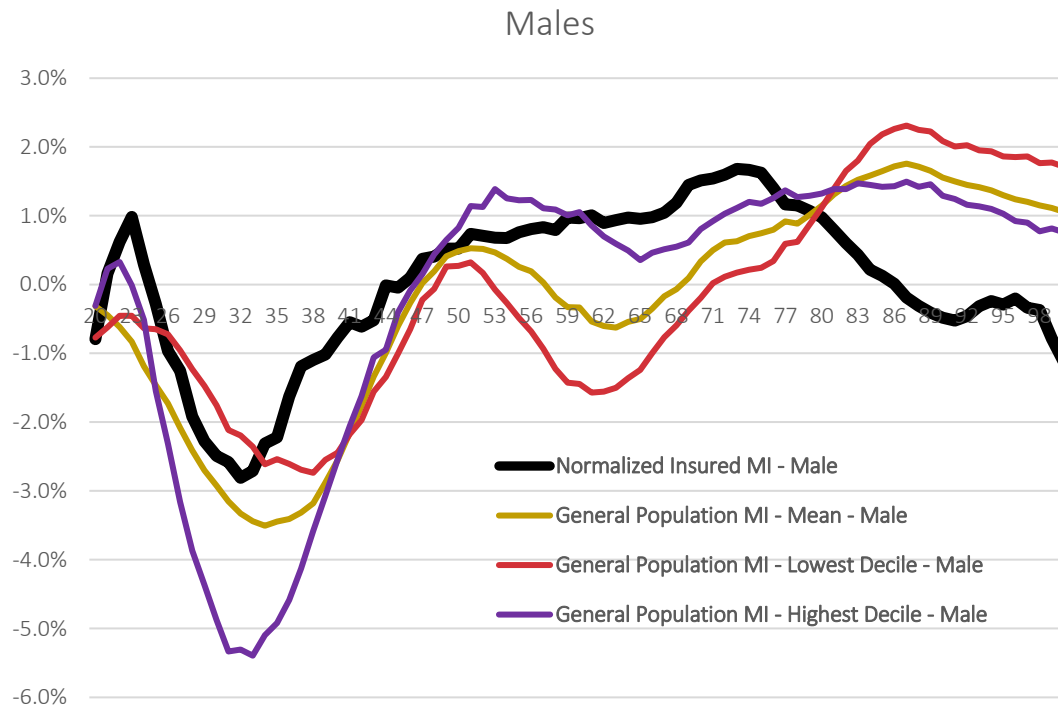
Excel-based tool that allows for “normalization” of data for non-biometric factors identified in the predictive modeling work

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



# Comparison of Population and Insured Mortality Improvement Rates

Experience Period = 2011-2019

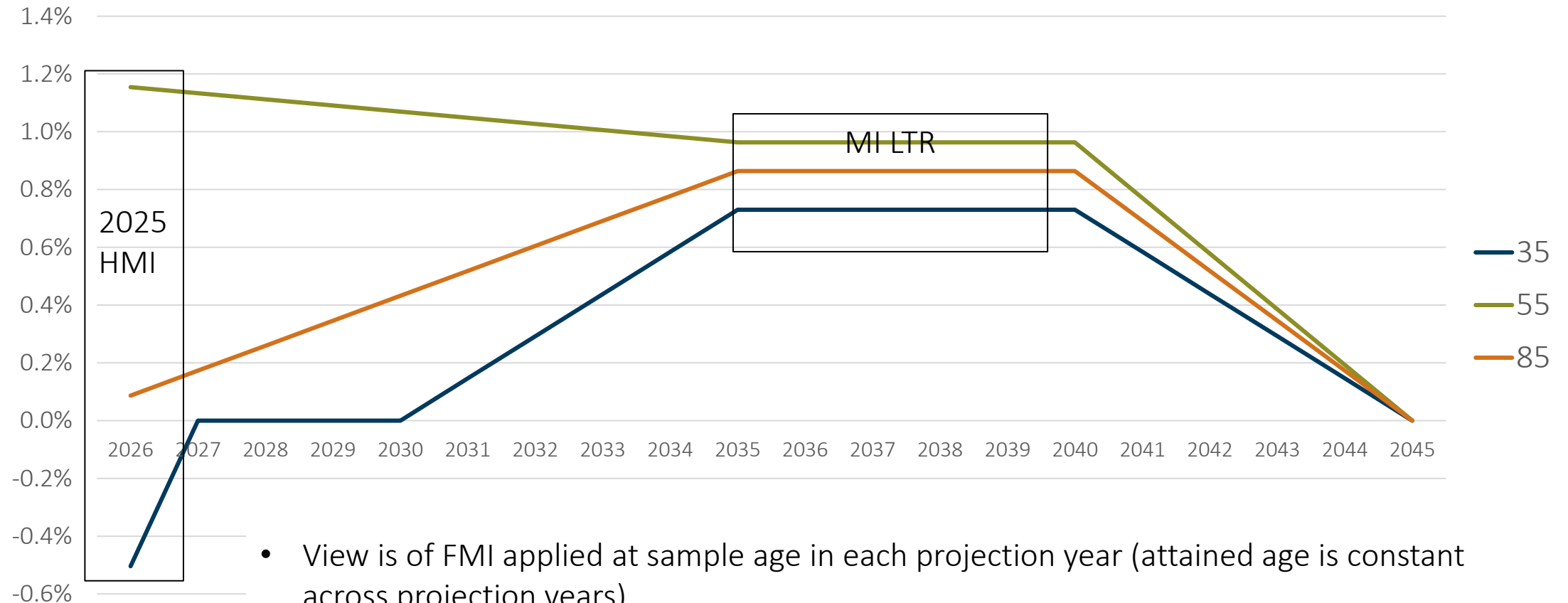


Individual life insured data (black lines) – basis for derivation of mortality improvement rates shown:

- MI determined on a policy count basis
- Data normalized for changes in face amount distribution
- Term and permanent products combined (post level term excluded)

# Preliminary FMI Recommendation

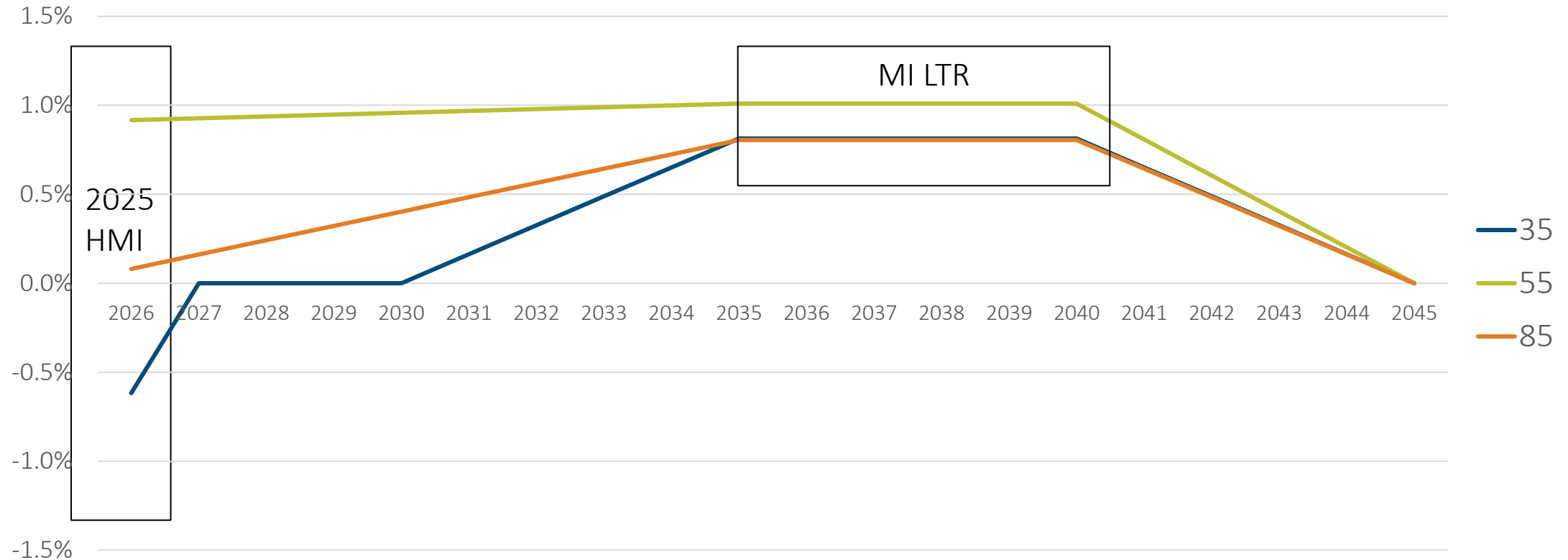
## Males – Fully Insured Lives – 6/26/25 Preliminary



- View is of FMI applied at sample age in each projection year (attained age is constant across projection years)
- Above are sample ages
- FMI starts at HMI levels and is projected to the MI Long-Term-Rate (MI LTR) over first 10 years of the reserve projection.

# Preliminary FMI Recommendation

## Females – Fully Insured Lives - 6/26/25 Preliminary



- View is of FMI applied at sample age in each projection year (attained age is constant across projection years)
- FMI starts at HMI levels and is projected to the MI Long-Term-Rate (MI LTR) over first 10 years of the reserve projection.



# HMI Recommendation – Fully Underwritten Business

## Background

- It has been difficult to measure true life insured HMI due to inconsistency in the past industry experience data for insured lives
  - Changes in the mix of companies included in the data
  - Shifts in industry focus over time  
(ex. changes in underwriting definitions, changes in risk class structure, changes in market/distribution focus over time)
- Revisited this given the new data source from mandatory data calls
- Also, reviewed SOA general population socioeconomic decile work
  - Industry insured data is now included in SOA Mortality Improvement Model (MIM) tool as a data option for users in considering their own HMI assumptions
- Predictive modeling approach pursued to help better quantify and adjust for the impact of industry shifts affecting the mortality trend over time

Separate slide: Consideration of COVID-19 in HMI Recommendation - bullet points – COVID impact was considered, it represents the past but not relevant to the baseline mortality assumption for the future, starting point for valuation mortality is post COVID, HMI is intended to bring us to the right starting point and not a year by year reproduction of past mortality, bring table from historical basis to today

# HMI Recommendation – Fully Underwritten Business Predictive Modeling Results

- Data: 2011-2017 fully insured mortality data provided by SOA
- Five separate models were developed by product category
  1. Term products
    - a) Face Amounts <100K, excluding post level term
    - b) Face Amounts 100K+, excluding post level term
    - c) Post level term, all face amounts
  2. Permanent products
    - a) Whole life unismoke
    - b) All other permanent business
- Results: confirmed hypothesis that the primary industry-related factors impacting MI for the total insured population include:
  - Face amount
  - Risk class
  - Plan of insurance (term, whole life, universal life)
  - Issue year era
  - Policy Duration

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

# HMI Recommendation – Fully Underwritten Business

## MI Analysis Tool

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



# Preliminary Insured Historical Mortality Improvement (HMI) Recommendation

	Options Considered	Current Recommendation
Basis for Measuring Historical Improvement	<ol style="list-style-type: none"> <li>1. Fully underwritten insured mortality experience (after normalization)</li> <li>2. General population decile chosen to represent insured</li> <li>3. Combination of both</li> </ol>	<p><u>Combination of both</u></p> <ul style="list-style-type: none"> <li>• Primary insured ages (25-80) : normalized insured data to measure MI for primary insured ages (25-80)</li> <li>• Ages 0-25 : general population data grading to insured data at age 25</li> <li>• Ages 80-85 : grade from insured data to 0 at age 85</li> </ul>
Subset of Insured Historical Data for Measuring MI	<ol style="list-style-type: none"> <li>1. Experience Period Subset (full period available 2009-2019)</li> <li>2. Unismoke, smoker distinct, or all data</li> <li>3. Post level term</li> <li>4. Conversion business</li> <li>5. Survivorship business</li> <li>6. Substandard business</li> </ol>	<ol style="list-style-type: none"> <li>1. 2011-2019</li> <li>2. Smoker distinct only</li> <li>3. Excluded post level term</li> <li>4. Conversion business included</li> <li>5. Survivorship excluded</li> <li>6. Substandard excluded</li> </ol>
Methodology	<ol style="list-style-type: none"> <li>1. MI calculation basis (face amt/policy count)</li> <li>2. Factors for variations in scale (gender, attained age, smoker status, risk class, select vs ultimate)</li> <li>3. Smoothing approach</li> <li>4. COVID adjustments if needed</li> <li>5. Impact of opioid and mental health crises</li> <li>6. Risk margin approach</li> </ol>	<ol style="list-style-type: none"> <li>1. Policy count</li> <li>2. Gender and attained age only</li> <li>3. Averaging across attained age groups</li> <li>4. No specific COVID adjustments recommended</li> <li>5. Included in both insured and general population data</li> <li>6. Risk margin – revised to include a 15 bp floor</li> </ol>

# COVID-19 Considerations - HMI and FMI

## Consideration of COVID-19 in the 2025 HMI Recommendation

- The purpose of the HMI scale for use with VM20 is to bring the 2015 VBT mortality to an appropriate starting point for valuation mortality for 2025 reserve calculations.
- The HMI scale is not intended to reproduce year by year mortality levels from 2015 to the current valuation year.
- The HMI scale produced by the application of the standard HMI methodology using the insured data for the historical component for 2025 represents a reasonable valuation mortality starting point and therefore there is no recommended adjustment for COVID-19.

## Consideration of COVID-19 in the 2025 FMI Recommendation

- The methodology for developing the FMI scale is to start with the 2025 HMI scale and to grade from that level to the MI long-term rate assumption (MI LTR) regarding mortality improvement levels at year 10 of the reserve projection.
- The MI LTR has been calculated as an arithmetic average of the projected MI for years 10 through 15 of the SSA intermediate projection from the current SSA Trustees report release.
- The recommendation is to continue to use this approach as the SSA projection methodology is well understood and aligns with the subgroup's thinking. There may be some conservatism in this approach as the historical data shows that MI for insureds has been greater at most ages than the general population level.

# Accelerated Underwriting Considerations

## HMI and FMI

- The impact of accelerated underwriting programs and their growth in the industry should be considered in the HMI and FMI assumptions.
- At this point in time, there is insufficient credible insured data available for accelerated underwriting business to allow for a comparison to fully underwritten results. Given the insured data used for HMI determination ends in 2019, there is likely not a material impact from accelerated business in current data.
- The plan is to continue to monitor the insured data as accelerated underwriting in force levels continue to increase. This will allow us to quantify the difference in mortality and mortality improvement levels in order to make adjustments to the HMI and FMI scales as needed.
- Companies with large accelerated underwriting blocks should consider the impact.

# Contact Information

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July 22, 2025

Rachel Hemphill  
Chair, NAIC Life Actuarial (A) Task Force (LATF)

Re: July 2025 LATF HMI-FMI Exposures

Dear Chair Hemphill:

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide feedback on the two exposures from July related to Historic and Future Mortality Improvement (HMI and FMI): the spreadsheet containing the preliminary recommendation of new rates and a slide deck outlining the rationale for the listed changes. We would also like to take this time to extend our thanks to the Society of Actuaries (SOA) for their hard work and due diligence in creating these documents for stakeholder review.

ACLI generally does not have substantive commentary different from what we submitted in our previous letter on June 25th. We appreciate the information in the deck and the sample ages which were included. However, we would like to reiterate a few points that we made in response to the initial HMI-FMI exposure questions.

We believe that ten years for mortality improvement is a very tight window of data to recognize patterns and build an improvement assumption. Further, since the HMI/ FMI changes are more frequent now, ACLI believes time should be spent figuring out how to reduce volatility in the PBR reserves. For context, reserve volatility impacts companies generally in two ways:

1. "Small" changes in mortality improvement assumptions creates reserve balance projection uncertainty which makes capital planning difficult, most notably due to in force business.
2. Such uncertainty in projecting reserve balances in the pricing exercise can lead to PADs in assumptions which generally raise costs for consumers.

From a more theoretical perspective, while the HMI predictive model may be useful for isolating HMI from other factors influencing historical mortality, we are not sure there is a compelling case to

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**accli.com**

have the current HMI rate be so impactful in projections of FMI. The current methodology uses the starting HMI rate as an anchor point that impacts the next ten years of the projection even though the graded assumption deviates significantly from the SSA Intermediate Projected rates in those first ten years.

We are also unsure about the use of a predictive model for FMI. When using historical experience to set long-term rates, it is important to consider whether the conditions that led to the historical mortality improvement are going to be present in the future. The SSA Intermediate Projected rates are based on a very robust analysis of future conditions, and a historical model, even one that captures an insured population, may not be as relevant as the SSA analysis. In setting long-term mortality rates, the SSA report describes a very holistic approach (*Office of the Chief Actuary, Social Security Administration. "The Long-range Demographic Assumptions for the 2024 Trustees Report"*). Starting with selecting a projection method, the SSA describes the merits of four approaches currently in use by demographers. The SSA considers the past and expected future conditions that affect rates of improvement, and this is done by age, gender, and cause of death.

The SSA analysis of these expected future conditions have for decades reflected input from the National Institutes of Health, the Centers for Disease Control and Prevention, and others. More recently these future expectations for mortality improvement by cause and age have been independently assessed by medical researchers and clinicians at John Hopkins University. Rates of improvement for certain conditions are evolving. For example, we have seen tremendous improvements in treatment of heart disease, but therefore it is also reasonable to expect diminished returns for further research into heart disease. Contrast that to cancer research or Alzheimer's and the picture may be more favorable going forward. The analysis by the SSA seems likely to be the most robust industry analysis available.

Further, an SOA analysis indicated the 6<sup>th</sup> decile of the general population provided the best fit to the insured population (*SOA Individual Life Experience Committee, Mortality Improvement Analysis Subgroup. "U.S. Individual Life Mortality Improvement Analysis, May 2024"*). The 6th decile is also reasonably close to the midpoint of the general population data (i.e., supporting use of the full SSA dataset).

Thank you once again for the chance to submit this feedback and we look forward to additional discussion at a future call of LATF.

Sincerely,

A handwritten signature in dark ink, appearing to read "B Bonferli Colin Masterson". The signature is written in a cursive, flowing style.

cc: Scott O'Neal, NAIC

## Agenda Item 7

Receive an Update on Actuarial Guideline 53

# **Actuarial Guideline 53 Reviews**

## **Life Actuarial Task Force**

**Fred Andersen, FSA, MAAA**

**8/9/2025**

## Notice Regarding Confidentiality

AG 53 provides uniform guidance for the asset adequacy testing, and is effective for reserves reported with respect to the Dec. 31, 2022, and subsequent annual statutory financial statements. A statement of actuarial opinion on the adequacy of the reserves and assets supporting reserves after the operative date of the Valuation Manual is required under Section 3B of the NAIC Standard Valuation Law (#820) and VM-30 of the Valuation Manual. Section 14A of Model #820 provides that actuarial opinions and related documents, including an asset adequacy analysis, are confidential information, while Section 14B provides that such confidential information may be shared with other state regulatory agencies and the NAIC. The asset adequacy analyses required under AG 53 reviewed in the preparation of this report were shared with the Valuation Analysis (E) Working Group and the NAIC in accordance with these requirements, and continue to remain confidential in nature.

## Data Limitations

- Asset information shown in the slides that follow rely on data submitted by companies in their AG 53 templates. The NAIC took steps to review the data for reasonableness. However, the accuracy and reliability of the results are ultimately dependent on the quality of participant submissions.
- Some of the submitted data was adjusted to make it useable and help ensure greater consistency of reporting across companies. For example: 1) units were changed from dollars to millions where necessary; 2) asset types were mapped to those listed in the standard AG 53 template for companies that substituted different asset descriptions; 3) aggregated initial asset summary templates were created for companies that provided templates by segment but not in total; 4) templates submitted as PDFs were converted to Excel.
- Some companies did not submit AG 53 templates or did not complete all of the AG 53 template tabs.

## AG 53 Review Overview

1. Highlights of recent VAWG net yield work
2. Discussion on simplified reinvestment strategy assumptions
3. Other issues being reviewed

## Highlights of VAWG's work

- Decreasing % of companies assuming outlying >3% net market spread
  - After interactions between VAWG, domestic regulators and companies
  - Mainly private bonds, CMBS, CLO, ABS, mortgage loans in this category
- Next step: look at other companies with >2.5% assumed reinvestment net market spread
  - Will review model rigor, appropriately accounting for risks?
- Aggregated data on upcoming slides (CLO example on next slide)



## Tiers of Reinvestment Net Market Spread (RNMS) Assumptions

- **Upper Tier** (RNMS > 3%)
- **Middle Tier** (2.5% < RNMS ≤ 3%)
- **Lower Tier** (RNMS ≤ 2.5%)

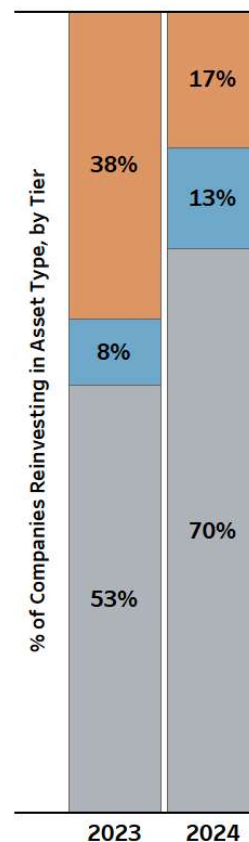
**Year-end 2023:** Communications with companies regarding RNMS focused on Upper Tier

### Year-end 2024:

- Fewer companies in Upper Tier
- Upper Tier's Average RNMS decreased

### Collateralized Loan Obligations (CLOs)

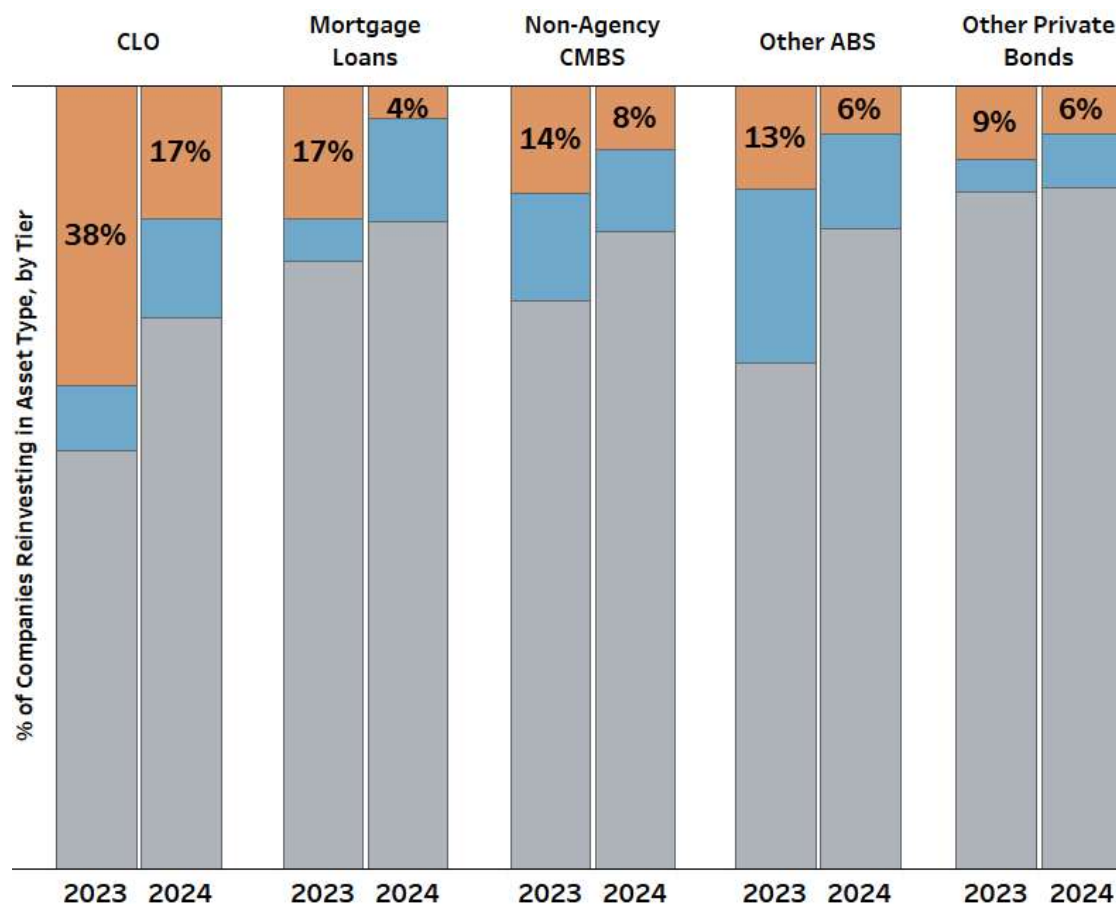
#### Reinvestment Net Market Spread



#### Upper Tier Average RNMS by Filing Year

2023	3.9%
2024	3.5%

## Five Asset Types had Significant Exposure in the Upper Tier



- **Upper Tier** (RNMS > 3%)
- **Middle Tier** (2.5% < RNMS ≤ 3%)
- **Lower Tier** (RNMS ≤ 2.5%)

- ▶ **Upper Tier** segment got smaller in 2024 for all five asset types
- ▶ **Middle Tier** will be an added focus for year-end 2024 reviews

# Simplified reinvestment strategy assumptions

## Discussion on simplified reinvestment strategy assumptions

- Potential differing views on goal of AG 53 exercise
  1. Help ensure company is not reliant on overly aggressive asset return assumptions in order to demonstrate adequacy of reserves
  2. Reflect fat-tail risk of assets even if fairly conservative returns are modeled
- If emphasis is on #1, a simplified modeled reinvestment strategy with conservative assumptions is appropriate for this exercise
- If emphasis is on #2, a simplified modeled reinvestment strategy may be inappropriate even with conservative assumptions
  - May miss key risks in the tail for some asset types

# Other issues being reviewed

## Payment in Kind (PIK)

- Guidance Document requirements
  - In past filings, some discrepancies between reported PIK aspects and likely reality
  - YE 2024 Guidance Document required:
    - Description of interactions between actuary and investment department in developing PIK metrics
    - Description of how the model captures PIK risk

## Payment in Kind (PIK)

- Examples of asset types insurers are reporting with PIK features:
  - CLO rated A and below
  - Alternative private corporate bonds
  - Collateral loans
  - Preferred equity
- Modeling examples
  - Most have interest payments produce cash flows at maturity
    - Increased default risk reflected?
  - Some modeled cash flows as annual income

## Other current AG 53 projects

- Attribution analysis
  - What risk is producing the higher return not offset by any losses in scenarios?
    - Credit risk
    - Illiquidity risk
  - How is that risk getting reflected in the model?
    - Will continue pursuing this information
- Internal fair value
  - Current, projected



## Agenda Item 8

Discuss Actuarial Guideline 55

# **Update on Actuarial Guideline 55 (Reinsurance AAT)**

**Fred Andersen, FSA, MAAA**

**8/9/2025**

## AG 55 Status

- A Committee adoption on July 14
- Executive / plenary consideration on August 13
- Template development – Strawman to be presented here
  - Section 9.C. of AG 55 – expected reporting:

C. The following sample template worksheets adopted by the Life Actuarial (A) Task Force (LATF) are available on the LATF web page ([https://content.naic.org/cmte\\_a\\_latf.htm](https://content.naic.org/cmte_a_latf.htm)) under the “Documents” tab: *{To be discussed following the adoption of the base Guideline}*

## AG 55 Templates - Company Information

- Same as for AG 53

### Company Information

Company Name	
NAIC Company Code	
Valuation Year	

Name of Individual Submitting	
Company Title	
Email Address	
Phone number	

## AG 55 Templates - Counterparty Information

### Counterparty Agreements

*\*Add more columns for counterparties as needed\**

Information Field	Counterparty 1
Counterparty Name	
NAIC Company Code	
Description of Counterparty	
Explain whether this counterparty falls under Section 5.H.i. (a), (b), and/or (c)	
Governing Jurisdiction of Counterparty	
Total # of Agreements and type (coins, FWH, modco)	
Description of Collateral to Support Agreement/s	
If trust, provide a description of conditions in which the funds become available to cedent	
Total Size of Agreements (\$ millions)	
Reserve Credit	
Trust Amount	
Modco Account Amount	
Funds Withheld Account Amount	
Inforce Types of Business Covered by Agreement <sup>1</sup>	

## AG 55 Templates - Risk Information

- Necessary in template format if completing cash-flow testing (CFT)?
- Necessary in template format if exempted from CFT?

## AG 55 Templates - Counterparty Portfolio and Assumptions

- Do we expect a level of reporting similar to AG 53 asset summary & yield tabs?
  - Asset type
  - Assets with projected high net yields
  - Affiliated amounts
  - Reinvestment strategy by asset type
  - Gross and assumed net yields by asset type
    - Including defaults and investment expenses

## AG 55 Templates - Cash-Flow Testing Results

- Present value of ending surplus
  - For NY 7, where applicable

### Cash Flow Testing Results

#### Present Value of Ending Surplus - Market Value (\$M) (Baseline)

Scenario	Product 1
NY 1	
NY 2	
NY 3	
NY 4	
NY 5	
NY 6	
NY 7	



## AG 55 Templates - Attribution Analysis of Any Reserve Decrease

Attribution Analysis - Difference between Pre-reinsurance reserve and Post-Reinsurance Reserve

Product

Key Driver(s)	
---------------	--

Pre-reinsurance Reserve (US stat CARVM/CRVM)		\$	100	Explanation of Change
		Approximate percentage change:		
Company decomposition of reserve	1	AG33 worst path vs. common path (as applicable)		
	2	Policyholder Behavior Assumptions		
	3	Mortality Assumptions		
	4	Other Liability Assumptions		
	5	Discount Rates		
	6	Market Value/Book Value difference due to change in interest rates		
	7	Removal of Cash Surrender Value Floor		
	8	Investment Guardrail		
	9	Moderately adverse to less adersion (or best estimate) conversion		
	10	Scenario versus Deterministic		
	11	Other		
Post-reinsurance Reserve (defined in Section 3.H. of AG 55)		\$	60	

Notes	
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## AG 55 Templates – Margins in Assumptions

### Margins / Provisions for Adverse Deviation for Cash Flow Testing

Assumption	Description
<b><i>Applicable to All Products</i></b>	
Mortality	
Lapse	
Expense	
Investment Returns	
<b><i>Only Applicable for Flexible-Premium Products with Recurring Premium</i></b>	
Premium Persistency	
<b><i>Only Applicable to Annuities with Guaranteed Living Benefits</i></b>	
Partial Withdrawals	
Utilization	

## AG 55 - Other issues

- April 1 filing date
- Planning on same process as for AG 53 filings
  - Submit through Minnesota Department to ensure VM-30 confidentiality
  - Minnesota will provide to NAIC Valuation Analysis Working Group (VAWG)
    - VAWG will perform reviews as mentioned in Section 9 of the Guideline
- Any other questions?

## Agenda Item 9

Discuss Comments on Amendment Proposal Form  
(APF) 2025-05 and Consider Re-Exposure

### 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  
Jacob Allensworth, Texas Department of Insurance  
Elaine Lam, California Department of Insurance  
Ben Slutsker, Minnesota Department of Commerce

**Title of the Issue:**

Modify the guidance notes under VM-20 Sections 9.G.8 and VM-21 Sections 4.A.5 to provide clearer definitions and examples of what constitutes as “contractually guaranteed” revenue sharing income

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:

Guidance notes under VM-20 Sections 9.G.8 and VM-21 Sections 4.A.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.)

See attached.

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

This APF adds additional examples of provisions in a revenue-sharing agreement that would prevent the revenue-sharing income from being considered “contractually guaranteed”. Specifically, the new examples highlight provisions where revenue-sharing payments depend on the status or balance of a particular plan or fund, making the income non-guaranteed. These additions aim to clarify what qualifies as "contractually guaranteed" revenue-sharing income and what does not.

Revise to take out of guidance notes and make regular text, as they clarify revenue-sharing requirements.

Dates: Received	Reviewed by Staff	Distributed	Considered
02/10/2025	S.O.		
<b>Notes:</b> APF 2025-05 2/20/25: Revised to include cover letter question on appropriateness of guidance note vs. language in body and clarification of including both affiliated and nonaffiliated entities. 3/22/25: Add a clarifying sentence in two places, and update to move text out of guidance notes. 4/24/25: replaced “level” with “rate” when referring to revenue-sharing income in two additional places for consistency 7/21/2025: After ACLI comment and discussion with a company, updates highlighted in yellow			

VM-20, Section 9.G.8 (Editorial Note: also remove boxing around text.)

Provisions that give the entity (affiliated or non-affiliated) paying the revenue-sharing income the option to unilaterally stop or change the rate of income paid would prevent the income from being guaranteed. Similarly, if the revenue-sharing income is contingent upon the status of a particular plan or fund, and that plan or fund can be terminated, replaced, or not renewed by the paying entity without being replaced by a plan or fund that would result in the same level of guaranteed revenue-sharing income, the revenue-sharing income would not be considered guaranteed. Furthermore, if the rate of revenue-sharing income is tiered or otherwise depends on the total balances of a particular plan or fund, a portion or the entirety of the income (depending on the structure of the performance-based provisions) would not be considered guaranteed beyond the lowest tier unless all the tiers are guaranteed and explicitly modeled at such level of granularity. If the portion of the revenue-sharing income that is contingent can't be readily identified and separated, then the entirety of revenue sharing for the agreement should be considered non-guaranteed. However, if such options, contingencies, or dependencies become available only at a future point in time, and the revenue up to that time is guaranteed, the income is considered guaranteed until the point at which any such options, contingencies, or dependencies first become available.

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Deleted: the option first becomes available.

If the agreement allows the company to unilaterally take control of the underlying fund fees that ultimately result in the revenue sharing, then the revenue is considered guaranteed up until the time at which the company can take such control. Since it is unknown whether the company can perform the services associated with the revenue sharing agreement at the same expense level, it is presumed that expenses will be higher in this situation. Therefore, the revenue-sharing income shall be reduced to account for any actual or assumed additional expenses.

Deleted: Guidance Note:

VM-21, Section 4.A.5 (Editorial Note: also remove boxing around text.)

Provisions that give the entity (affiliated or non-affiliated) paying the revenue-sharing income the option to unilaterally stop or change the rate of income paid would prevent the income from being guaranteed. Similarly, if the revenue-sharing income is contingent upon the status of a particular plan or fund, and that plan or fund can be terminated, replaced, or not renewed by the paying entity without being replaced by a plan or fund that would result in the same level of guaranteed revenue-sharing income, the revenue-sharing income would not be considered guaranteed. Furthermore, if the rate of revenue-sharing income is tiered or otherwise depends on the total balances of a particular plan or fund, a portion or the entirety of the income (depending on the structure of the performance-based provisions) would not be considered guaranteed. If the portion of the revenue-sharing income that is contingent can't be readily identified and separated, then the entirety of revenue sharing for the agreement should be considered non-guaranteed beyond the lowest tier unless all the tiers are guaranteed and explicitly modeled at such level of granularity. However, if such options, contingencies, or dependencies become available only at a future point in time, and the revenue up to that time is guaranteed, the income is considered guaranteed until the point at which any such options, contingencies, or dependencies first become available.

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If the agreement allows the company to unilaterally take control of the underlying fund fees that ultimately result in the revenue sharing, then the revenue is considered guaranteed up until the time at which the company can take such control. Since it is unknown whether the company can perform the services associated with the revenue sharing agreement at the same expense level, it is presumed that expenses will be higher in this situation. Therefore, the revenue-sharing income shall be reduced to account for any actual or assumed additional expenses.

**Deleted:** Guidance Note:



**Brian Bayerle**  
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**Colin Masterson**  
Sr. Policy Analyst  
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July 14, 2025

Rachel Hemphill  
Chair, NAIC Life Actuarial (A) Task Force

Re: April 2025 Re-Exposure of APF 2025-05 (Contractually Guaranteed Revenue Sharing Income)

Dear Chair Hemphill:

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide further commentary on APF 2025-05 which aims to amend the Guidance Notes under VM-20 Sections 9.G.8 and VM-21 Sections 4.A.5 by including additional examples of provisions in a revenue-sharing agreement that would prevent the revenue-sharing income from being considered “contractually guaranteed”. We would also like to thank regulators and NAIC staff for their acceptance of our previous comments on this item during its original exposure and subsequent re-exposure this past March.

ACLI notes that for this exposure period, commenters were “requested to provide examples of different types of revenue sharing arrangements they feel would potentially be adversely affected by APF 2025-05 compared to the existing requirements, detailing their interpretation of the requirements with and without the clarifications to the guidance note”. With these considerations in mind, we offer the following feedback:

Regarding the request for specific examples, we believe that one area of industry that may require careful consideration is for companies that own funds/trusts. These are similar, but often distinct from, situations where companies buy into a fund/trust but have them managed and owned by a third-party as the bespoke and internal nature of the revenue sharing agreements between companies owned by the same legal entity provide their own set of unique challenges that must be addressed.

More generally, we also have questions and concerns about some of the specific language within the APF that ACLI would like to see addressed prior to consideration by the Task Force.

**American Council of Life Insurers** | 101 Constitution Ave, NW, Suite 700 | Washington, DC 20001-2133

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The American Council of Life Insurers is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 275 member companies represent 93 percent of industry assets in the United States.

**accli.com**



We have comments on the APF's impact on existing requirements, specifically the line *"Provisions that give the entity (affiliated or non-affiliated) paying the revenue-sharing income the option to stop or change the rate of income paid would prevent the income from being guaranteed."* Agreements typically include a provision stating that the agreement cannot be amended except by written agreement of both parties and generally cannot be changed unilaterally by the fund group. We believe this means the payor cannot stop payments (unless they fail to perform the services) and cannot change the terms of payment. Therefore, for VM-20/VM-21 purposes, many companies could treat the administrative service agreements with these provisions as guaranteed. A potential change to clarify the APF's language to focus on situations where the revenue-sharing income is not guaranteed would be to insert "unilaterally" into this sentence: *"Provisions that give the entity (affiliated or non-affiliated) paying the revenue-sharing income the option to **unilaterally** stop or change the rate of income paid would prevent the income from being guaranteed."*

We have further commentary on the portion of the amendment which states *"...if the rate of revenue-sharing income is tiered or otherwise depends on the total balances of a particular plan or fund, a portion or the entirety of the income (depending on the structure of the performance-based provisions) would not be considered guaranteed."* To the extent there are agreements with breakpoints, a fund could have breakpoints that are significantly lower than current AUM, or even AUM after a market drop. We believe assuming assets fall to the lowest breakpoint immediately is not risk based. Furthermore, if a company can incorporate whether the breakpoints are reached in the model projections, we do not see why a tiered structure would cause the revenue sharing to not be considered guaranteed.

Finally, the line *"Similarly, if the revenue-sharing income is contingent upon the status of a particular plan or fund, and that plan or fund can be terminated, replaced, or not renewed by the paying entity, the revenue-sharing income would not be considered guaranteed."* seems overly broad. Fund companies, in theory, have the right to terminate any fund and if they did, assets would go into a money market account and they would lose their revenue from management of those assets. As a result, fund terminations generally only occur on funds with low asset balances. Interpreted another way, this language suggests that an insurer would need to be able to prohibit a fund partner from liquidating the fund or otherwise not making a fund available which cannot be guaranteed. If for some reason a fund is no longer available, some companies do have the ability to offer another comparable fund with similar economics. A potential change to the APF's language to account for this scenario could be: *"Similarly, if the revenue-sharing income is contingent upon the status of a particular plan or fund, and that plan or fund **will or is expected** to be terminated, replaced, or not renewed by the paying entity, the revenue-sharing income would not be considered guaranteed."*

However, this does still leave all other sentences in the guidance note that cite the "contingency" which is concerning. We do not believe the contingency sentences in the APF should force agreements to become non-guaranteed for VM-20/VM-21 purposes as it is unclear to whom it would apply. Whether it be through our suggested edit shown above, or another option, this is an item that ACLI would request more discussion on at LATF.

As stated in our prior letter, this change should be considered in tandem with revisiting the existing requirements to be more consistent with other modeled reserve assumptions. One such approach, rather than distinguishing between contractually guaranteed or not, would be to set a higher margin if the revenue sharing could be stopped in certain circumstances, if amounts could

fluctuate, etc., with guidance directing the degree of margin to reach a prudent estimate assumption, similar to the E factor in hedge modeling. Such an approach will better align to the risks compared to the existing prescriptive guardrail.

Thank you once again for the consideration of our comments.

Sincerely,

A handwritten signature in cursive script, reading "Colin Masterson". The signature is written in a dark ink and is positioned to the right of a large, stylized initial "B" that appears to be part of the signature or a separate mark.

cc: Scott O'Neal, NAIC

Agenda Item 10  
Hear an Update on SOA  
Research and Education



# SOCIETY OF ACTUARIES RESEARCH UPDATE TO LATF

August 10, 2025

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

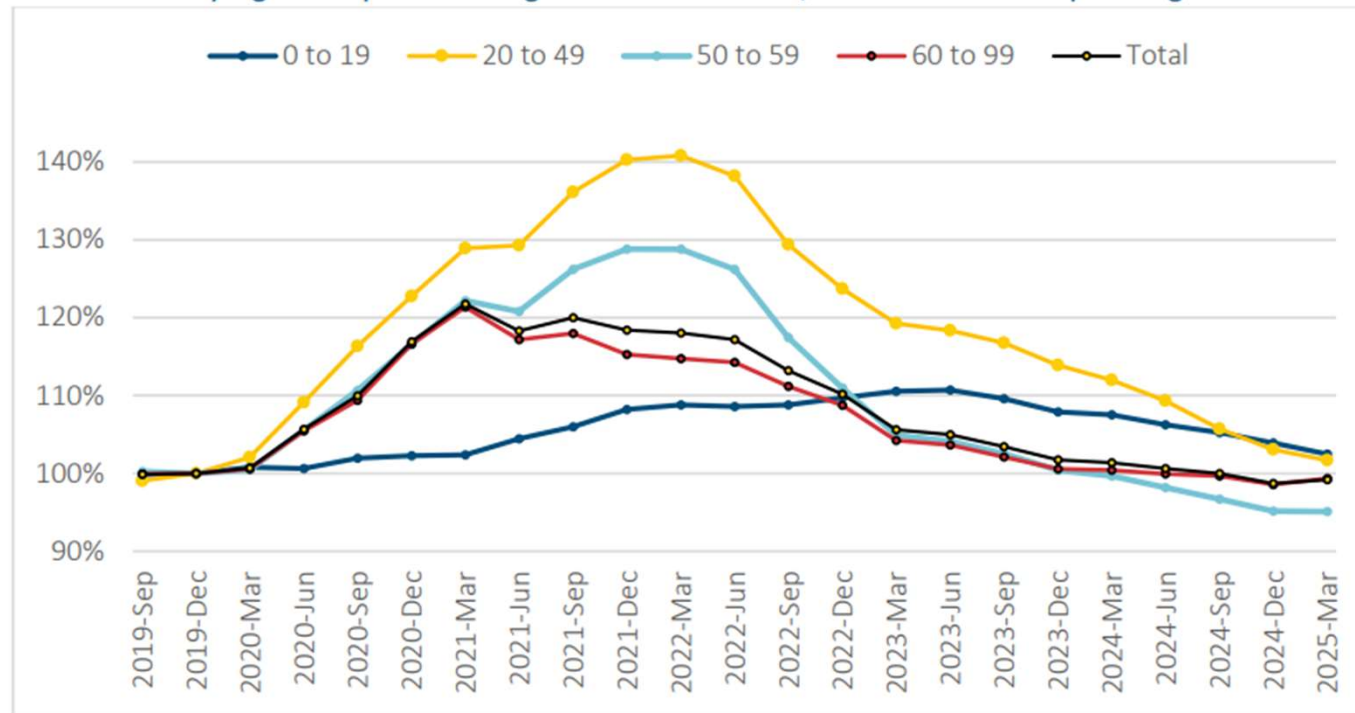
*The material and information contained in this presentation is for general information only. It does not replace independent professional judgment and should not be used as the basis for making any business, legal or other decisions. The Society of Actuaries assumes no responsibility for the content,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

## Experience Studies Pro Update

Experience Study	Timing	Participating Company Count	Estimated Market Share
2015-2022 Group Long-Term Disability Incidence	3Q 2025	19	97%
2023-2024 Fixed Indexed Annuity Contract Owner Behavior	3Q 2025	17	57%
2009-2023 Individual Life Term Conversions	4Q 2025	15	38%
2023-2024 Fixed-Rate Deferred Surrender	4Q 2025	24	68%
2022-2024 Variable Annuity Contract Holder Behavior	4Q 2025	17	51%

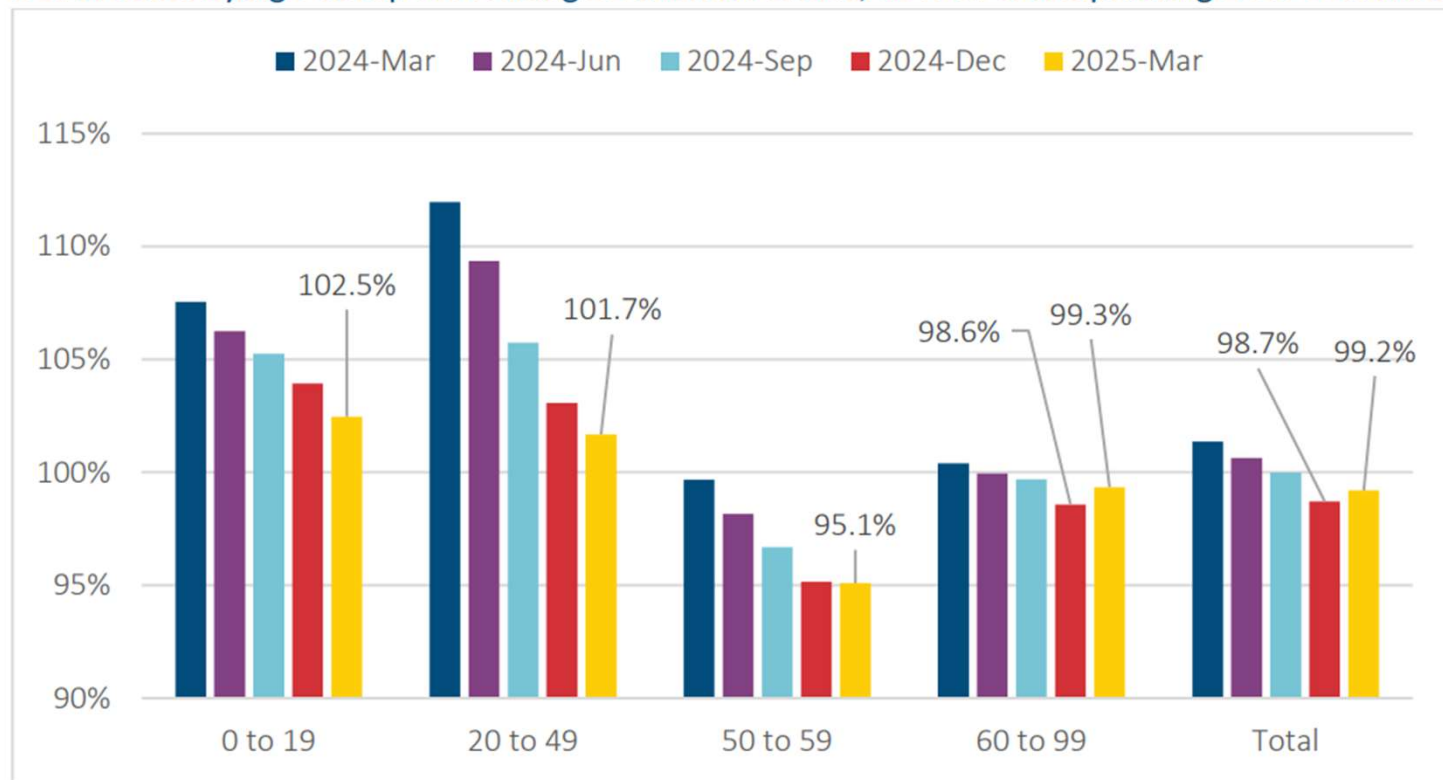
# Mortality Trends

Death Rates by Age Group for Trailing 12-Month Periods, as % of the Corresponding 2019 Death Rate



# Mortality Trends

Death Rates by Age Group for Trailing 12-Month Periods, as % of Corresponding 2019 Death Rate





# Additional Life Research



# Experience Studies

Project Name	Objective	Link/Expected Completion Date
Economic Scenario Generator - 2025 Update	Update the AAA Economic Scenario Generator Annually.	<a href="https://www.soa.org/resources/tables-calcs-tools/research-scenario/">https://www.soa.org/resources/tables-calcs-tools/research-scenario/</a>
US Population Mortality Observations: Updated with 2022 Experience	Explore observations from the release of the 2022 U.S. population mortality data.	<a href="https://www.soa.org/resources/research-reports/2025/us-population-mortality-2022/">https://www.soa.org/resources/research-reports/2025/us-population-mortality-2022/</a>
Group Life COVID-19 Mortality Survey Update - 4Q24 Report	Complete an update on a mortality study assessing the impact of COVID-19 on Group Life Insurance.	<a href="https://www.soa.org/resources/experience-studies/2024/group-life-covid19-mort-survey/">https://www.soa.org/resources/experience-studies/2024/group-life-covid19-mort-survey/</a>
GRET for 2026 - Create Factors	Develop the Generally Recognized Expense Table (GRET) for 2026	9/13/2025
2023-2024 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.	9/30/2025
ILEC Company Differences Update 2025	Updating the quintile analysis for 2018-2019 ILEC data	9/30/2025
ILEC Joint Life Mortality	Evaluating NAIC joint life data	9/30/2025
ILEC Old Age Mortality Update	Update old age analysis for 2018-2019 dataset	9/30/2025
2023-2024 Fixed-Rate Deferred Surrender Study - Report	Examine policyholder behavior in fixed rate deferred annuities under a Joint SOA/LIMRA project.	11/14/2025
2022-2024 Variable Annuity Contract Holder Behavior Study - Report	Examine the utilization of guaranteed living benefit options on variable annuity policies under a Joint SOA/LIMRA project.	11/24/2025
2009-2023 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
ILEC Population Mortality 2025	Monitoring and analysis of population mortality as it related to ILEC	12/31/2025
ILEC SI AUW Underwriting	Understanding SI and accelerated underwriting in life, survey practices, and analyze data as it is available	12/31/2025

# Practice Research

Project Name	Objective	Link/Expected Completion Date
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.	<a href="https://www.soa.org/resources/research-reports/2025/alm-practitioner-survey-questions/">https://www.soa.org/resources/research-reports/2025/alm-practitioner-survey-questions/</a>
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	<a href="https://www.soa.org/resources/research-reports/2025/covid-19-other-causes-death-future-us-mort/">https://www.soa.org/resources/research-reports/2025/covid-19-other-causes-death-future-us-mort/</a>
Review of Offshore Life and Annuity Jurisdictions Reinsurance Landscapes	Examine the offshore reinsurance landscapes	8/13/2025
U.S. Drug Abuse Epidemic: Past Present and Future	Create a resource that examines the evolution of the U.S. drug epidemic and outlook of the impact on future mortality.	8/13/2025
Long term impacts of exposure to the COVID-19 Pandemic	Examines long term impacts of exposure to COVID-19 pandemic by cohorts	8/15/2025
Primer on Investment-Related Regulatory Approaches for Banking versus Insurance Industries	Produce a primer that compares regulatory approaches for actuarially related investment aspects of the banking and insurance industries in North America.	9/30/2025
Understanding Complex Assets	Examines the use of complex assets in the life and annuity industry compared to traditional public corporate bonds.	12/15/2025
Criminal Histories and Mortality	Examines the link between individuals with a criminal history and mortality	1/14/2026



# Update on SOA Education

**STUART KLUGMAN**

**SOA Senior Staff Fellow, Education**

August 10, 2025



# Qualified Actuary – Background

- The SOA introduced new FSA requirements, beginning November 2025
- Tracks are eliminated, candidates can select their four exams from different practice areas
- Need to list exams that meet the requirements to be an appointed actuary
- LATF/AAA developed knowledge statements

# Qualified Actuary – New System

- Proposal – Qualified if complete
  - ILA 101 – Pricing and Introduction to Valuation and Risk Management
  - ILA 201U – Valuation and Advanced Product and Risk Management, U.S.
  - CP 351 – Asset Liability Management
  - Life Regulatory Certificate
- Designed to meet the set of knowledge statements

# Qualified Actuary - Transition

- For candidates with exams in both systems, require
  - ILA LPM (Life product management) or ILA 101
  - ILA LFMU (Life financial management, U.S.) or ILA 201U
  - ILA LAM (Life asset management) or CP 351
  - Regulation and Taxation, U.S. module or Life Regulatory Certificate
- Will also identify any gaps this creates with respect to knowledge statements; self-study and documentation then required





## Agenda Item 11

Consider Exposure of the Generally  
Recognized Expense Tables (GRETs)



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Chicago, IL 60631  
P +1-888-697-3900  
[soa.org](http://soa.org)

**TO:** Rachel Hemphill, Chair, Life Actuarial (A) Task Force  
**FROM:** Pete Miller, ASA, MAAA, Experience Study Actuary, Society of Actuaries (SOA) Research Institute  
R. Dale Hall, FSA, MAAA, CFA, CERA, Managing Director, Research  
**DATE:** August 1, 2026  
**RE:** 2026 Generally Recognized Expense Table (GRET) – SOA Research Institute Analysis

Dear Ms. Hemphill:

As in previous years, the Society of Actuaries Research Institute expresses its thanks to NAIC staff for their assistance and responsiveness in providing Annual Statement expense and unit data for the 2026 GRET analysis for use with individual life insurance sales illustrations. The analysis is based on expense and expense-related information reported on each company's 2023 and 2024 Annual Statements. This project has been completed to assist the Life Actuarial Task Force (LATF) in considering potential revisions to the GRET that could become effective for the calendar year 2026. This memo describes the analysis and resultant findings.

NAIC staff provided Annual Statement data for life insurance companies for calendar years 2023 and 2024. This included data from 745 companies in 2023 and 712 companies in 2024. This decrease resumes the trend of small decreases from year to year. Of the total companies, 380 were in both years and passed the outlier exclusion tests and were included as a base for the GRET factors (378 companies passed similar tests last year).

### Approach Used

The methodology for calculating the recommended GRET factors based on this data is similar to that in the last several years. The methodology was last altered in 2015. The changes made then can be found in the recommendation letter sent to LATF on July 30, 2015.

To calculate updated GRET factors, the average of the factors from the two most recent years (2023 and 2024 for those companies with data available for both years) of Annual Statement data was used. For each company, an actual-to-expected (A/E) ratio was calculated. Companies with ratios that fell outside predetermined parameters were excluded. This process was completed three times to stabilize the average rates. The boundaries of the exclusions have been modified from time to time; however, there were no adjustments made this year. Unit expense seed factors (the seeds for all distribution channel categories are the same), as shown in Appendix B, were used to compute total expected expenses. Thus, these seed factors were used to implicitly allocate expenses between acquisition and maintenance expenses, as well as among the three acquisition expense factors (on a direct or ceded reinsurance basis).

Companies were categorized by their reported distribution channel (four categories were used as described in Appendix A included below). There remain a significant number of companies for which no distribution channel was provided, as no responses to the annual surveys have been received from those companies. The characteristics of these companies vary significantly, including companies not currently writing new business or whose major line of business is not individual life insurance. Any advice or assistance from LATF in future years to increase the response rate to the surveys of companies that submit Annual Statements to reduce the number of companies in the "Other" category would be most welcomed. The intention is to continue



surveying the companies in future years to enable the enhancement of this multiple distribution channel information.

Companies were excluded from the analysis if in either 2023 or 2024, (1) their A/E ratios were considered outliers, often due to low business volume, (2) the average first year and single premium per policy were more than \$40,000, (3) they are known reinsurance companies or (4) their data were not included in the data supplied by the NAIC. To derive the overall GRET factors, the unweighted average of the remaining companies' A/E ratios for each respective category was calculated. The resulting factors were rounded, as shown in Table 1.

### The Recommendation

The above methodology results in the proposed 2026 GRET values shown in Table 1. To facilitate comparisons, the current 2025 GRET factors are shown in Table 2. Further characteristics of the type of companies represented in each category are included in the last two columns in Table 1, including the average premium per policy issued and the average face amount (\$000s) per policy issued.

**TABLE 1**  
**PROPOSED 2026 GRET FACTORS, BASED ON AVERAGE OF 2023/2024 DATA**

DESCRIPTION	Acquisition per Policy	Acquisition per Unit	Acquisition per Premium	Maintenance per Policy	Companies Included	Average Premium Per Policy Issued During Year	Average Face Amt (000) Per Policy Issued During Year
Independent	\$217	\$1.20	54%	\$65	150	2,666	223
Career	238	1.30	60%	72	95	2,854	215
Direct Marketing	263	1.40	65%	79	24	490	142
Niche Marketing	126	0.70	32%	38	25	996	15
Other*	175	1.00	44%	53	86	961	90
* Includes companies that did not respond to this or prior year surveys					380		

**TABLE 2**  
**CURRENT 2025 GRET FACTORS, BASED ON AVERAGE OF 2022/2023 DATA**

DESCRIPTION	Acquisition per Policy	Acquisition per Unit	Acquisition per Premium	Maintenance per Policy	Companies Included	Average Premium Per Policy Issued During Year	Average Face Amt (000) Per Policy Issued During Year
Independent	\$204	\$1.10	51%	\$61	147	3,008	241
Career	227	1.20	57%	68	86	2,739	218
Direct Marketing	239	1.30	59%	72	24	465	119
Niche Marketing	131	0.70	33%	39	27	649	12
Other*	159	0.90	40%	48	94	869	81
* Includes companies that did not respond to this or prior year surveys					378		



In previous recommendations, an effort was made to reduce volatility in the GRET factors from year to year by limiting the yearly change in GRET factors to about ten percent of the prior value. The changes from the 2025 GRET were reviewed to ensure that a significant change was not made in this year's GRET recommendation.

Four GRET factors for the Direct Marketing distribution channel exceeded the 10% threshold and were therefore capped. The capping adjustments were necessary only for the Direct Marketing distribution channel, where raw increases exceeded the 10% threshold across all four factors. This action limited volatility and ensured consistency for illustration purposes despite inherent fluctuations in smaller-sample, high-variability channels. No capping was required for Independent, Career, Niche, or Other channels.

### Usage of the GRET

This year's survey, responded to by each company's Annual Statement correspondent, included a question regarding whether the 2025 GRET table was used in its illustrations by the company. Last year, 34% of responders indicated their company used GRET for sales illustration purposes. This year, 35% of responding companies indicated they used the 2025 GRET for sales illustration purposes. Usage levels have returned to the historical range of 31–35% after the spike to 44% in 2023. The responses covered all major distribution methods, with 44% from Independent, 50% from Career, and 6% from Direct Marketing; no respondents from Niche Marketers reported using the GRET Factors. Based on the information received over the last several years, the variation in GRET usage appears to be in large part due to the relatively small sample size and different responders to the surveys.

We hope LATF finds this information helpful and sufficient for consideration of a potential update to the GRET. If you require further analysis or have questions, please contact Pete Miller at 847-706-3566.

Kindest personal regards,

A handwritten signature in black ink that reads 'Pete J. Miller'.

Pete Miller, ASA, MAAA  
Experience Studies Actuary  
Society of Actuaries Research Institute

A handwritten signature in black ink that reads 'R. Dale Hall'.

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



## Appendix A – Distribution Channels

The following is a description of distribution channels used in the development of recommended 2023 GRET values:

1. Independent – Business written by a company that markets its insurance policies through an independent insurance agent or insurance broker not primarily affiliated with any one insurance company. These agencies or agents are not employed by the company and operate without an exclusive distribution contract with the company. These include most PPGA arrangements.
2. Career – Business written by a company that markets insurance and investment products through a sales force primarily affiliated with one insurance company. These companies recruit, finance, train, and often house financial professionals who are typically referred to as career agents or multi-line exclusive agents.
3. Direct Marketing – Business written by a company that markets its own insurance policies direct to the consumer through methods such as direct mail, print media, broadcast media, telemarketing, retail centers and kiosks, internet, or other media. No direct field compensation is involved.
4. Niche Marketers – Business written by home service, pre-need, or final expense insurance companies as well as niche-market companies selling small face amount life products through a variety of distribution channels.
5. Other – Companies surveyed were only provided with the four options described above. Nonetheless since there were many companies for which we did not receive a response (or whose response in past years' surveys confirmed an "other" categorization (see below), values for the "other" category are given in the tables in this memo. It was also included to indicate how many life insurance companies with no response (to this survey and prior surveys) and to indicate whether their exclusion has introduced a bias into the resulting values.



## Appendix B – Unit Expense Seeds

The expense seeds used in the 2014 and prior GRETs were differentiated between branch office and all other categories, due to the results of a relatively old study that had indicated that branch office acquisition cost expressed on a per Face Amount basis was about double that of other distribution channels. Due to the elimination of the branch office category in the 2015 GRET, non-differentiated unit expense seeds have been used in the current and immediately prior studies.

The unit expense seeds used in the 2026 GRET and the 2025 GRET recommendations were based on the average of the 2006 through 2010 Annual SOA expense studies. These studies differentiated unit expenses by type of individual life insurance policy (term and permanent coverages). As neither the GRET nor the Annual Statement data provided differentiates between these two types of coverage, the unit expense seed was derived by judgment based this information. The following shows the averages derived from the Annual SOA studies and the seeds used in this study. Beginning with the 2020 Annual Statement submission this information will become more readily available.

### 2006-2010 (AVERAGE) CLICE STUDIES:

	Acquisition/ Policy	Acquisition/ Face Amount (000)	Acquisition/ Premium	Maintenance/ Policy
Term				
Weighted Average	\$149	\$0.62	38%	\$58
Unweighted Average	\$237	\$0.80	57%	\$76
Median	\$196	\$0.59	38%	\$64
Permanent				
Weighted Average	\$167	\$1.43	42%	\$56
Unweighted Average	\$303	\$1.57	49%	\$70
Median	\$158	\$1.30	41%	\$67

### CURRENT UNIT EXPENSE SEEDS:

	Acquisition/ Policy	Acquisition/ Face Amount (000)	Acquisition/ Premium	Maintenance/ Policy
All distribution channels	\$200	\$1.10	50%	\$60

# 2026 GRET Recommendation

R. Dale Hall, FSA, MAAA, CFA, CERA  
Managing Director, Research  
Society of Actuaries Research Institute  
August 10, 2025

# 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 Research Institute assumes no responsibility for the content, accuracy or completeness of the information presented.*



# Agenda

- |    |                                   |
|----|-----------------------------------|
| 01 | Methodology                       |
| 02 | Information on Companies in Study |
| 03 | Company Survey Results            |
| 04 | Recommendation                    |
| 05 | Comparison to Prior Years         |

# Methodology



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# Steps to determine the GRET Factors

Primary Distribution Channel	<ul style="list-style-type: none"><li>- Survey sent by SOA Research Institute to gather distribution channel.</li><li>- For non-respondents, used distribution channel previously gathered.</li></ul>
Calculate Company Actual to Expected	<ul style="list-style-type: none"><li>- Actual expense from company annual statements.</li><li>- Seed applied factors to company data to calculate expected expenses.</li></ul>
Remove Outliers	<ul style="list-style-type: none"><li>- Calculate medians by distribution channel.</li><li>- Remove companies above 350% or 10% of the median.</li></ul>
Determine Final Factors	<ul style="list-style-type: none"><li>- For each distribution channel, determine the average A/E.</li><li>- Multiply the average A/E over the past two years times the Seed value to determine the final factor. (A rounded change cap of <math>\pm 10\%</math> is applied.)</li></ul>

# Seed Factors

- Based on averages from 2006–2010 SOA studies of term and permanent products
- Blended, non-differentiated seeds used across all channels since 2015.

	Acquisition per Policy	Acquisition per Unit	Acquisition per Premium	Maintenance per Policy
Term				
• Weighted Average	\$149	\$0.62	38%	\$58
• Unweighted Average	\$237	\$0.80	57%	\$76
• Median	\$196	\$0.59	38%	\$64
Permanent				
• Weighted Average	\$237	\$0.80	57%	\$76
• Unweighted Average	\$196	\$0.59	38%	\$64
• Median	\$237	\$0.80	57%	\$76
Current Seed Factors	\$200	\$1.10	50%	\$60

# Information on Companies in Study

# Companies Considered in Calculation

Year	Starting Companies	Reinsurers (Removed)	De minimis Expenses (Removed)	Companies Considered
2023	745	(56)	(134)	555
2024	712	(56)	(133)	523

- Start with data from the NAIC for all companies Blue Book values.
- Remove:
  - Reinsurers.
  - Companies with no reported expenses.

# Final Used Companies in 2026 Factor Calculation

Year	Companies Considered	Outlier Exclusion	Removed for Large Premium per Policy	Not Kept in Other Calculation Year	Final Companies
2023	555	(118)	(8)	(49)	380
2024	523	(113)	(8)	(22)	380

- Start with considered companies.
- Remove companies:
  - That fail exclusion tests.
  - With large premium per policy (Greater than \$40K).
  - That are not in or kept in the other calculation year.

# Final Companies in Study

- The final companies used in the 2026 GRET calculation was 380
- This is an increase by two companies from the 278 in 2025.
- Over the past five years, the company count has been very steady, between 375 and 380.





# Company Survey Results



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# Survey Results

Percentage of Companies that use GRET Factors	
Survey Year	Percentage
2024	34%
2023	44%
2022	35%
2021	31%
2020	29%
2019	26%
2018	28%
2017	30%

Annual industry survey on GRET Factor usage for individual life sales illustrations.

The results show that usage remains in the one third range that has been observed in most of the previous eight years.

# Recommendation



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# Recommendation for 2026 GRET Factors

PROPOSED 2026 GRET FACTORS, BASED ON AVERAGE OF 2023/2024 DATA					
Description	Acquisition per Policy	Acquisition per Unit	Acquisition per Premium	Maintenance per Policy	Company Count
Independent	\$217	\$1.20	54%	\$65	150
Career	238	1.30	60%	72	95
Direct Marketing	263	1.40	65%	79	24
Niche Marketing	126	0.70	32%	38	25
Other*	175	1.00	44%	53	86
* Includes companies that did not respond to this or prior year surveys. ** All values reflect capped final factors ( $\pm 10\%$ annual change limit).					380

# Current 2025 GRET Factors

CURRENT 2025 GRET FACTORS, BASED ON AVERAGE OF 2022/2023 DATA					
Description	Acquisition per Policy	Acquisition per Unit	Acquisition per Premium	Maintenance per Policy	Company Count
Independent	\$204	\$1.10	51%	\$61	147
Career	227	1.20	57%	68	86
Direct Marketing	239	1.30	59%	72	24
Niche Marketing	131	0.70	33%	39	27
Other*	159	0.90	40%	48	94
* Includes companies that did not respond to this or prior year surveys. ** All values reflect capped final factors ( $\pm 10\%$ annual change limit).					378

# Comparison to Prior Years



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# Acquisition per Policy Factor Comparison

COMPARISON TO PRIOR YEARS					
Description	2024	Percentage Change	2025	Percentage Change	2026
Independent	\$198	3%	\$204	6%	\$217
Career	206	10%	227	5%	238
Direct Marketing	217	10%	239	10%	263
Niche Marketing	132	-1%	131	-4%	126
Other*	162	-2%	159	10%	175
<p>* Includes companies that did not respond to this or prior year surveys.  ** All values reflect capped final factors (<math>\pm 10\%</math> annual change limit).</p>					

# Acquisition per Unit Factor Comparison

COMPARISON TO PRIOR YEARS					
Description	2024	Percentage Change	2025	Percentage Change	2026
Independent	\$1.10	0%	\$1.10	9%	\$1.20
Career	1.10	9%	1.20	8%	1.30
Direct Marketing	1.20	8%	1.30	8%	1.40
Niche Marketing	0.70	0%	0.70	0%	0.70
Other*	0.90	0%	0.90	11%**	1.00
<p>* Includes companies that did not respond to this or prior year surveys.</p> <p>** Capped at 10% increase, but 11% due to factor rounding.</p>					



# Acquisition per Premium Factor Comparison

COMPARISON TO PRIOR YEARS					
Description	2024	Percentage Change	2025	Percentage Change	2026
Independent	50%	2%	51%	6%	54%
Career	52%	10%	57%	5%	60%
Direct Marketing	54%	9%	59%	10%	65%
Niche Marketing	33%	0%	33%	-3%	32%
Other*	41%	-2%	40%	10%	44%
<p>* Includes companies that did not respond to this or prior year surveys.</p> <p>** All values reflect capped final factors (<math>\pm 10\%</math> annual change limit).</p>					

# Maintenance per Policy Factor Comparison

COMPARISON TO PRIOR YEARS					
Description	2024	Percentage Change	2025	Percentage Change	2026
Independent	\$59	3%	\$61	7%	\$65
Career	62	10%	68	6%	72
Direct Marketing	65	11%***	72	10%	79
Niche Marketing	40	-3%	39	-3%	38
Other*	49	-2%	48	10%	53
<p>* Includes companies that did not respond to this or prior year surveys.</p> <p>** All values reflect capped final factors (<math>\pm 10\%</math> annual change limit).</p> <p>*** Capped at 10% increase, but 11% due to factor rounding.</p>					

# Questions?



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## Agenda Item 12

Hear an Update from the American Academy of Actuaries  
(Academy) Council on Professionalism and Education

# Academy Professionalism Update

NAIC Summer National Meeting  
August 2025

## About the Academy

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### **Mission:**

To serve the  
public and the  
U.S. actuarial  
profession



### **Community:**

Serving over 20K  
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for 60 years



### **Standards:**

Setting qualification,  
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## Committee on Qualifications

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### The Committee on Qualifications (COQ)

- recommends to the Academy's Board of Directors the minimum qualification standards, including continuing education requirements, necessary to qualify credentialed actuaries to issue statements of actuarial opinion in the United States.
- answers questions relating to qualifications.
  - As of mid-July, the COQ has received 15 questions in 2025, covering primarily continuing education requirements.



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



## Actuarial Standards Board (ASB)



The ASB sets standards for appropriate actuarial practice in the United States through the development and promulgation of Actuarial Standards of Practice (ASOPs). These ASOPs describe the procedures an actuary should follow when performing actuarial services and identify what the actuary should disclose when communicating the results of those services.

[2024 ASB Annual Report](#)

[www.actuarialstandardsboard.org](http://www.actuarialstandardsboard.org)

## Actuarial Standards Board (ASB)



ACTUARIAL STANDARDS BOARD 5

ASB met in June and reviewed proposed revisions of two health ASOPs.

In September, the ASB plans to continue review of one of the health ASOPs and review a pension ASOP.

General ASOPs under revision or development

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



Life ASOPs under revision or development

- ASOP No. 7, *Life or Health Cash Flow Analysis*
- *Pricing Reinsurance or Similar Risk Transfer Transactions Involving Life Insurance, Annuities, or Long-Duration Health Benefit Plans (new)*

## Actuarial Board for Counseling and Discipline



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### Mission

The Actuarial Board for Counseling and Discipline (ABCD) was established in the bylaws of the American Academy of Actuaries to strengthen the adherence by members of the five U.S.-based actuarial organizations to the recognized standards of ethical and professional conduct.

The Board has two primary functions:

- It responds to actuaries' [request for guidance](#) on professional issues.
- It considers [complaints](#) about possible violations of the Code of Professional Conduct.

- 2024 Annual Report available at [ABCD-Annual-2024.pdf](#)
- May/June 2025 Up to Code article, [Mission Professionalism](#)

[www.abcdboard.org](http://www.abcdboard.org)

## Upcoming Professionalism Events

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COQ, ASB, ABCD: The Professionalism Trifecta

- [September 5 webinar](#)

Life and Health Qualifications Seminar

- New Format: Attendees to select either a life track or a health track
- November 17-20
- Arlington, Va



## Questions?

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For professionalism questions, comments, or suggestions,  
please contact

Virginia Hulme, Assistant Director, Professionalism

[professionalism@actuary.org](mailto:professionalism@actuary.org)

### Agenda Item 13

Hear an Update from the Academy Life Practice Council

# Life Practice Council Update

Life Actuarial (A) Task Force (LATF) Meeting  
August 10, 2025

## About the Academy

2



### **Mission:**

To serve the  
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## Recent NAIC Engagement

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[Proposed Reorganization of the Valuation of Securities \(E\) Task Force](#) comments

[C3 Alignment with Other RBC C-factors](#) comments

[Correlation of Factors for Life RBC](#) comments

Academy joint comments on [RFI on AI in Insurance Model Law](#)

[Academy joint comments on Proposed Principles](#) from RBC Model Governance (EX)  
Task Force

## Other Recent LPC Activity

4

### Comments:

- Comment letter to FASB on [Long-Duration Targeted Improvements, Fixed Indexed Annuities, Funds Withheld and Modified Coinsurance](#)
- Comments to the [Colorado Division of Insurance – Data Models Framework](#)

### Events:

- Insuring the Future: Insurance Investment Summit
- [ASOP No. 2 Practice Note](#) Webinar

## Recent Academy Activity

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### Webinars/Events:

- [2026 Health Insurance Premiums in Focus: Policy Changes and Impacts on Market Stability](#)
- [Analysis of NAIC AI/Machine Learning Surveys Webinar](#)
- [Social Security Trustees Report: A Deep-Dive Discussion with the Program's Actuaries](#)

### Other Resources:

- [Cyber Risk Toolkit Updates](#)
- [Health Insurance Market Dynamics Resource Guide](#)

# Questions?

# Upcoming Events

## **Actuarial Perspectives and Solutions for Strengthening the U.S. Retirement System**

September 18 | Washington, D.C.

## **Life and Health Qualifications Seminar**

Nov. 17-20 | Arlington, Va.

## **Seminar on Effective P/C Loss Reserve Opinions**

Dec. 8-9 | Salt Lake City, Utah

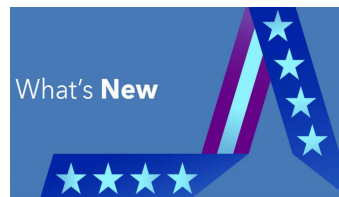
## Other Academy Resources

8

### Access these Resources:



[Contingencies Magazine](#)

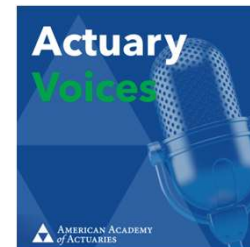


[Policy Forum](#)



Actuarially Sound

[Actuarially Sound Blog](#)



[Actuary Voices Podcast](#)

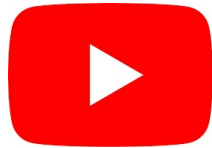


## NEW!! *Academy Insights* Stakeholder Newsletter

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- Quarterly newsletter highlighting Academy resources and project updates
- Cross-practice, public policy and professionalism topics & issues

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Thank You!

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For more information, please contact  
Amanda Barry-Moilanen, Policy Project Manager, Life  
[barrymoilanen@actuary.org](mailto:barrymoilanen@actuary.org)

## Agenda Item 14

Hear an Update on non-US Industry  
Mortality Table Reviews by the Task Force  
(No Materials)

## Agenda Item 15

Update on Partially-Guaranteed and Guaranteed  
Yearly-Renewable Term (YRT) Reinsurance  
(No Materials)

## Agenda Item 16

Discuss Any Other Matters Brought Before the Task Force

(No Materials)