MEETING MATERIALS PACKET

LIFE ACTUARIAL (A) TASK FORCE

December 3, 2020

Session 1

NAIC FALL NATIONAL MEETING

Virtual
December 3, 2020

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ROLL CALL

Member
Doug Slape, Chair
Tynesia Dorsey, Vice Chair
Jim L. Ridling
Ricardo Lara
Michael Conway
Andrew N. Mais
Robert H. Muriel
Stephen W. Robertson
Doug Ommen
Vicki Schmidt
Grace Arnold
Chlora Lindley-Myers
Bruce R. Ramge
Marlene Caride
Russell Toal
Linda A. Lacewell
Glen Mulready
Tanjji J. Northrup
Scott A. White

Representative
Mike Boerner
Peter Weber
Steve Ostlund
Perry Kupferman
Eric Unger
Wanchin Chou
Bruce Sartain
Karl Knable
Mike Yanachek
Nicole Boyd
Fred Andersen
William Leung
Rhonda Ahrens
Seong-min Eom
Anna Krylova
Bill Carmello
Andrew Schallhorn
Tomasz Serbinowski
Craig Chupp

State
Texas
Ohio
Alabama
California
Colorado
Connecticut
Illinois
Indiana
Iowa
Kansas
Minnesota
Missouri
Nebraska
New Jersey
New Mexico
New York
Oklahoma
Utah
Virginia

NAIC Support Staff: Reggie Mazyck/Eric King

AGENDA

10:00 – 10:05 a.m.  1. Call to Order/Roll Call/Consider Adoption of its Minutes—Mike Boerner (TX)
10:05 – 10:10 a.m.  2. Consider Adoption of Subgroup Reports—Mike Boerner (TX)
10:10 – 10:25 a.m.  3. Consider Adoption of the Valuation Manual (VM)-22 (A) Subgroup Report
                       —Bruce Sartain (IL)
10:25 – 10:40 a.m.  4. Hear an Update on the Interstate Insurance Product Regulation Commission (Compact)
                       —Katie Campbell (Compact)
10:40 – 10:55 a.m.  5. Hear an Update on Society of Actuaries (SOA) Research and Education—Dale Hall (SOA)
10:55 – 11:10 a.m.  6. Hear an Update from the American Academy of Actuaries (Academy) Life Practice Council
                       —Laura Hanson (Academy Life Practice Council)
11:10 – 11:30 a.m.  7. Hear an Update on Experience Reporting Data—Dan Schelp (NAIC)
11:30 – 11:40 a.m.  Break
11:40 a.m. – 1:00 p.m.  8. Consider Exposure of Valuation Manual Amendment Proposals—Mike Boerner (TX)
Agenda Item 1

Consider Adoption of its Minutes
The Life Actuarial (A) Task Force met Nov. 12, 2020. The following Task Force members participated: Texas, Chair, represented by Mike Boerner and Rachel Hemphill (TX); Jim L. Ridling represented by Steve Ostlund (AL); Ricardo Lara represented by Ben Bock and Perry Kupferman (CA); Michael Conway represented by Eric Unger (CO); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Robert H. Muriel represented by Vincent Tsang (IL); Vicki Schmidt represented by Nicole Boyd (KS); Grace Arnold represented by Fred Andersen and John Robinson (MN); Chlora Lindley-Myers represented by William Leung (MO); Bruce R. Ramge represented by Rhonda Ahrens (NE); Marlene Caride represented by Kevin Clarkson (NJ); Russell Toal represented by Anna Krylova (NM); Linda A. Lacewell represented by Bill Carmello and Amanda Fenwick (NY); and Scott A. White represented by Craig Chupp (VA).

1. Exposed the “Criteria to Assess VM-20 Solutions for Modeling Non-Guaranteed YRT Reinsurance”

Scott O’Neal (NAIC) discussed the questions submitted by John Hancock (Attachment A) on the principle-based reserves (PBR) yearly renewable term (YRT) field study. In response to the first question, he said the graphs in the “YRT Field Test and Interpretation Survey – Results Analysis” document (Attachment B) provide the ranges of possible interpretations, which encompass the scenarios posed in John Hancock’s question.

Chris Whitney (Oliver Wyman) said the data used to produce the ranges of interpretations is provided in the appendix of the document. He said using that data would allow someone to repeat the range of interpretations using an alternative rate scale.

Catherine Murphy (John Hancock) said it is important to clarify that a company’s results might differ from the baseline scenario results when the company uses its own experience and credibility data.

Mr. Boerner suggested that the remaining John Hancock questions might be addressed during the discussion of the “Criteria to Assess VM-20 Solutions for Modeling Non-Guaranteed YRT Reinsurance” (Attachment C), which was developed by a drafting group of state insurance regulators. The document provides initial criteria that are expected to help state insurance regulators determine a long-term solution for the appropriate YRT reinsurance reserve credit for agreements subject to a PBR.

Mr. Robinson asked if the “Modeling Complexity” criteria mandates that the amendment proposal chosen as the final solution include a “safe harbor.”

Ms. Hemphill said the document lists potential criteria for the Task Force’s consideration. She indicated that the criteria are not set until Task Force approval is received.

Ms. Fenwick suggested the label should be changed to indicate that the scope of the document is limited to YRT reinsurance.

Mr. O’Neal said criterion #6 includes consideration to reverse the current VM-20, Requirements for Principle-Based Reserves for Life Products, prohibition of the ceding company’s use of mortality improvement beyond the valuation date to preclude it from becoming a primary driver of a reduction in the aggregate reserve.

Ms. Hemphill said discussions on the development of future mortality improvement rates that would be applied to the final blended mortality rates for VM-20 have been initiated with the Society of Actuaries (SOA). She anticipates that a proposal could be adopted for inclusion in the 2022 Valuation Manual. She said, if the application of future mortality improvement is allowed for ceding companies, continuing to use ½ cₜ for the reserve credit may be the appropriate long-term YRT reinsurance reserve credit solution.

Mr. Boerner asked if any Task Force members objected to exposing the “Criteria to Assess VM-20 Solutions for Modeling Non-Guaranteed YRT Reinsurance” for a 30-day public comment period ending Dec. 11. There was no objection to exposing the document.

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

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The Life Actuarial (A) Task Force met Nov. 5, 2020. The following Task Force members participated: Texas, Chair, represented by Mike Boerner and Rachel Hemphill (TX); Tynesia Dorsey, Vice Chair, represented by Peter Weber (OH); Jim L. Ridling represented by Steve Ostlund (AL); Ricardo Lara represented by Ben Bock and Perry Kupferman (CA); Michael Conway represented by Eric Unger (CO); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Robert H. Muriel represented by Vincent Tsang (IL); Stephen W. Robertson represented by Karl Knable (IN); Vicki Schmidt represented by Nicole Boyd (KS); Grace Arnold represented by Fred Andersen and John Robinson (MN); Chlora Lindley-Myers represented by William Leung (MO); Bruce R. Ramge represented by Rhonda Ahrens (NE); Marlene Caride represented by Kevin Clarkson (NJ); Russell Toal represented by Anna Krylova (NM); Linda A. Lacewell represented by Bill Carmello and Amanda Fenwick (NY); Glen Mulready represented by Andrew Schallhorn (OK); Tanji J. Northrup represented by Tomas Serbinowski (UT); and Scott A. White represented by Craig Chupp (VA).

1. Adopted Amendment Proposal 2020-09

Mr. Boerner said amendment proposal 2020-09 (Attachment A) seeks to amend the life principle-based reserving (PBR) exemption for new policies resulting from conversions mostly from policies in runoff that were not subject to PBR. He said Task Force adoption of the amendment proposal will provide companies guidance prior to the NAIC adoption of the amendment proposal for the 2022 Valuation Manual. John Brady (Talcott Resolution) said the Talcott Resolution comment letter (Attachment B) explains that the company stopped writing business in 2013, but it would be subject to PBR requirements because of one policy conversion. He said the adoption of the amendment proposal would allow the company an exemption from the PBR requirements, allowing it to focus on other business segments. John C. Michael (Genworth Financial) said the Genworth Financial comment letter (Attachment C) supports the adoption of the amendment proposal. He said the company has ceased writing business in some of its entities. He said the only new business in those entities result from conversions. He said while the company is prepared to comply with PBR, it would prefer to focus on managing its runoff in-force business and not have to spend time on PBR compliance for those entities.

Mr. Robinson said he is concerned that the scope of the proposal is too narrow. His comment letter (Attachment D) proposes addressing the issue broadly by revising the Valuation Manual, outside of the life PBR exemption, to give companies the option to exempt any or all conversion policies. He expressed concern about continuing to change the life PBR exemption, because some states have the exemption written into their law. He also questioned the necessity of replacing the annual exemption process with a multi-year exemption. He has not found the annual exemption process onerous. He suggested surveying Task Force members to get feedback on the efforts required to file and approve the exemption. Ms. Hemphill noted that several changes to the proposal were made based on Mr. Robinson’s comments. She said the narrow issue of exempting conversion for companies in runoff should not be addressed with a broad response that would open opportunities for gamesmanship. She noted that conversions to universal life with secondary guarantee (ULSG) policies and other policies requiring a PBR approach should continue to not qualify for exemption. Mr. Chupp said he shares some of Ms. Hemphill’s concerns with broadening the scope of the proposal. He also recommended an editorial change revising the term “one of the conditions” in subsection D.1 to “at least one of the conditions.”

Mr. Chupp said the current wording of the amendment proposal and its expected 2022 effective date would not include exemption of 2020 and 2021 conversions for which companies might have received a permitted practice or one-year special commissioner discretion exemption. He suggested removing the final sentence in subsection D.2.b. Mr. Leung said he is concerned that companies must perpetually issue a permitted practice for the exemption of 2020 and 2021 conversions. He said he supports the broader approach suggested by Mr. Robinson. Mr. Ostlund said it is necessary to adopt the amendment proposal in its current form to provide guidance to companies for year-end 2020. Ms. Hemphill said the issue raised by Mr. Chupp, and any other refinements that may be necessary, can be addressed prior to the Life Insurance and Annuities (A) Committee consideration of the amendment proposal next summer.

Mr. Ostlund made a motion, seconded by Mr. Chou, to adopt amendment proposal 2020-09, including the editorial change suggested by Mr. Chupp. The motion passed unanimously.

Having no further business, the Life Actuarial (A) Task Force adjourned.
The Life Actuarial (A) Task Force met Oct. 29, 2020. The following Task Force members participated: Doug Slape, Chair, represented by Mike Boerner and Rachel Hemphill (TX); Tynesia Dorsey, Vice Chair, represented by Peter Weber (OH); Jim L. Ridling represented by Steve Ostlund (AL); Ricardo Lara represented by Ben Bock and Perry Kupferman (CA); Michael Conway represented by Eric Unger (CO); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Robert H. Muriel represented by Vincent Tsang (IL); Stephen W. Robertson represented by Karl Knable (IN); Vicki Schmidt represented by Nicole Boyd (KS); Grace Arnold represented by Fred Andersen and John Robinson (MN); Chlora Lindley-Myers represented by William Leung (MO); Bruce R. Ramage represented by Rhonda Ahrens (NE); Marlene Caride represented by Kevin Clarkson (NJ); Russell Toal (NM); Linda A. Lacewell represented by Bill Carmello and Amanda Fenwick (NY); Glen Mulready represented by Andrew Schallhorn (OK); Tanji J. Northrup represented by Tomasz Serbinowski (UT); and Scott A. White represented by Craig Chupp (VA).

1. **Adopted Revisions to AG 49**

Mr. Boerner said that *Actuarial Guideline XLIX—The Application of the Life Illustrations Model Regulation to Policies With Index-Based Interest* (AG 49) (Attachment A) was re-exposed for a seven-day public comment period to consider revisions proposed by Birmy Birnbaum (Center for Economic Justice—CEJ). He said the CEJ revisions allow companies the option of applying *Actuarial Guideline XLIX-A—The Application of the Life Illustrations Model Regulation to Policies With Index-Based Interest Sold On or After November 25, 2020* (AG 49-A) to new in-force illustrations for policies issued prior to the effective date of AG 49-A. Brian Bayerle (American Council of Life Insurers—ACLI) suggested two editorial changes to the CEJ recommended language. The first suggested change was to revise the phrase “for new illustrations on policies issued prior to the effective date of AG 49-A” to read “for new illustrations on policies sold prior to the effective date of AG 49-A” to be consistent with existing AG 49 language. The second suggested change, later in the same paragraph, was to insert the word “new” in prior to the words “product illustrations” to clarify that AG 49-A cannot be applied retroactively to in-force illustrations produced prior to the AG 49-A effective date.

Mr. Andersen made a motion, seconded by Mr. Ostlund, to adopt AG 49, including the ACLI editorial changes. The motion passed, with Ms. Fenwick dissenting.

2. **Adopted Amendment Proposal 2020-02**

Mr. Bayerle said the ACLI comment letter (Attachment B) addresses their concern that for immaterial blocks of business, for which a company uses a conservative reserving approach, the demonstration required by amendment proposal 2020-02 (Attachment C) may be unnecessary. He suggested that perhaps a robust conversation between the company and the state insurance regulator would better serve both parties. Ms. Hemphill said the requirements in Section 2.G of VM-20, Requirements for Principle-Based Reserves for Life Products, and the guidance note that follows, are consistent with the approach the ACLI suggests in its comment letter. She also noted that the requirement in VM-31, PBR Actuarial Report Requirements for Business Subject to a Principle-Based Valuation, that the demonstration be provided upon request regulator request, provides the opportunity for the company and its state insurance regulator to have the discussion the ACLI advocates in its comment letter. Mr. Bayerle said the fact that there are existing requirements makes the proposal unnecessary. Pat Allison (NAIC) said the proposal addresses areas of reporting where reviewers have noted that mandated steps are being skipped. She said the proposal assists companies by providing examples that help clarify the requirements.

Mr. Bock made a motion, seconded by Mr. Chou, to adopt amendment proposal 2020-02. The motion passed unanimously.

Having no further business, the Life Actuarial (A) Task Force adjourned.
Life Actuarial (A) Task Force
and the Life Risk-Based Capital (E) Working Group
Virtual Meeting
October 27, 2020

The Life Actuarial (A) Task Force met Oct. 27, 2020, in joint session with the Life Risk-Based Capital (E) Working Group. The following Task Force members participated: Doug Slape, Chair, represented by Mike Boerner and Rachel Hemphill (TX); Tynesia Dorsey, Vice Chair, represented by Peter Weber (OH); Jim L. Ridling represented by Steve Ostlund (AL); Ricardo Lara represented by Ben Bock and Perry Kupferman (CA); Michael Conway represented by Eric Unger (CO); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Robert H. Muriel represented by Vincent Tsang (IL); Stephen W. Robertson represented by Karl Knable (IN); Vicki Schmidt represented by Nicole Boyd (KS); Grace Arnold represented by Fred Andersen and John Robinson (MN); Chlora Lindley-Myers represented by William Leung (MO); Bruce R. Ramge represented by Rhonda Ahrens (NE); Marlene Caride represented by Seong-min Eom (NJ); Russell Toal (NM); Linda A. Lacewell represented by Bill Carmello (NY); Glen Mulready represented by Andrew Schallhorn (OK); Tanji J. Northrup represented by Tomasz Serbinowski (UT); and Scott A. White represented by Craig Chupp (VA). The following Working Group members participated: Philip Barlow, Chair; Steve Ostlund (AL); Perry Kupferman (CA); Eric Unger (CO); Wanchin Chou (CT); Sean Collins (FL); Vincent Tsang (IL); John Robinson (MN); William Leung (MO); Rhonda Ahrens (NE); Seong-min Eom (NJ); Bill Carmello (NY); Andrew Schallhorn (OK); Mike Boerner (TX); and Tomasz Serbinowski (UT).

1. **Heard an ESG Implementation Project Update**

Pat Allison (NAIC) provided a presentation (Attachment A) on the implementation project for the new economic scenario generator (ESG). The presentation focused on the scope of work for the selected ESG vendor, Conning & Company (Conning). Ms. Allison provided background information on the events that led the NAIC to consider purchasing an ESG, the development and initiation of the request for proposal (RFP), the selection process, and the choice of Conning as the selected vendor. She said that a detailed timeline supporting the January 2022 target implementation date is under development.

Ms. Allison said Conning will be involved in the initial training made available to NAIC staff, state insurance regulators and insurance companies. She noted that risk-neutral scenarios are not within the scope of the project. She said any company desiring to purchase access to risk-neutral scenarios should contact Conning for pricing information. The ESG is customizable, which allows state insurance regulators to create a “basic data set” of ESG scenarios that will be prescribed for statutory reporting. The “basic data set” will be available on the NAIC website for all users. Ms. Allison said the NAIC does not currently envision charging a fee to access the “basic data set,” but reserves the right to do so in the future. She said that Conning also offers a “robust data set,” which non-regulators can purchase directly from Conning. There is no charge for state insurance regulators to access the “robust data set.” Ms. Allison said that state insurance regulators will determine the frequency of parameter updates Conning will make as part of its ongoing ESG support. Other services and tools available from Conning are detailed in the presentation, including requiring vendor support of field testing.

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

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The Life Actuarial (A) Task Force met Oct. 22, 2020. The following Task Force members participated: Doug Slape, Chair, represented by Mike Boerner and Rachel Hemphill (TX); Tynesia Dorsey, Vice Chair, represented by Peter Weber (OH); Ricardo Lara represented by Ben Bock and Perry Kupferman (CA); Michael Conway represented by Eric Unger (CO); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Robert H. Muriel represented by Vincent Tsang (IL); Stephen W. Robertson represented by Karl Knable (IN); Vicki Schmidt represented by Nicole Boyd (KS); Grace Arnold represented by Fred Andersen and John Robinson (MN); Chlora Lindley-Myers represented by William Leung (MO); Bruce R. Ramge represented by Rhonda Ahrens (NE); Marlene Caride represented by Kevin Clarkson (NJ); Russell Toal (NM); Linda A. Lacewell represented by Bill Carmello (NY); Glen Mulready represented by Andrew Schallhorn (OK); Tanji J. Northrup represented by Tomasz Serbinowski (UT); and Scott A. White represented by Craig Chupp (VA).

1. **Adopted the AG 49-A Technical Amendment**

   Mr. Leung made a motion, seconded by Mr. Weber, to adopt the technical amendment to *Actuarial Guideline XLIX-A—The Application of the Life Illustrations Model Regulation to Policies With Index-Based Interest Sold On or After November 25, 2020 (AG 49-A)* (Attachment A). The motion passed, with Mr. Carmello dissenting.

2. **Re-Exposed Revisions to AG 49**

   Mr. Boerner said that an editorial change will be made to *Actuarial Guideline XLIX—The Application of the Life Illustrations Model Regulation to Policies With Index-Based Interest* (AG 49) to have its effective date coincide with the effective date of AG 49-A. Jennifer Webb (Pacific Life), representing the IUL Coalition, supported adoption of the AG 49 revisions and agreed with the change in the effective date. Birny Birnbaum (Center for Economic Justice—CEJ) said the CEJ comment letter (Attachment B) requests a revision to the guideline that would allow companies the option of applying AG 49-A to new in-force illustrations for policies issued prior to the effective date of AG 49-A. Mr. Andersen said the AG 49-A requirements are more strict than the current AG 49 requirements. He suggested that companies can currently apply the AG 49-A requirements and still comply with AG 49. He said that makes the revisions proposed by the CEJ unnecessary. Mr. Birnbaum responded that it is not clear that AG 49-A will provide an improved illustration in all cases. He also said the revisions clarify the guideline and do not allow companies opportunities to cherry-pick. Mr. Andersen said the revision is unnecessary, but it does not do any harm.

   Mr. Sartain made a motion, seconded by Mr. Yanacheak, to expose the CEJ revisions to AG 49 for a seven-day public comment period ending Oct. 28. The motion passed unanimously.

3. **Re-Exposed Amendment Proposal 2020-09**

   Ms. Hemphill said revisions to amendment proposal 2020-09 (Attachment C) allows the life principle-based reserving (PBR) exemption for companies not meeting the required premium thresholds for exemption from VM-20, Requirements for Principle-Based Reserves for Life Products, but that generate new business only from term conversions or the exercising of other policyholder options guaranteed in the policy. She said the proposal also removes the requirement for companies to file the statement of exemption annually. She noted that a referral (Attachment D) will be sent to the Blanks Working (E) Group recommending modification of the VM-20 Supplement to reflect the changes to the life PBR exemption.

   Ms. Ahrens made a motion, seconded by Mr. Robinson, to expose amendment proposal 2020-09 and the accompanying blanks referral (Attachment E), for a 10-day public comment period ending Nov. 2. The motion passed unanimously.

Having no further business, the Life Actuarial (A) Task Force adjourned.
The Life Actuarial (A) Task Force met Oct. 8, 2020. The following Task Force members participated: Doug Slape, Chair, represented by Mike Boerner and Rachel Hemphill (TX); Tynesia Dorsey, Vice Chair, represented by Peter Weber (OH); Jim L. Ridling represented by Steve Ostlund (AL); Ricardo Lara represented by Ben Bock and Perry Kupferman (CA); Michael Conway represented by Eric Unger (CO); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Robert H. Murtel represented by Vincent Tsang (IL); Vicki Schmidt represented by Nicole Boyd (KS); Grace Arnold represented by Fred Andersen and John Robinson (MN); Chlora Lindley-Myers represented by William Leung (MO); Bruce R. Ramge represented by Rhonda Ahrens (NE); Marlene Caride represented by Kevin Clarkson (NJ); Russell Toal (NM); Linda A. Lacewell represented by Bill Carmello and Mona Bhalla (NY); Glen Mulready represented by Andrew Schallhorn (OK); Tanji J. Northrup represented by Tomasz Serbinowski (UT); and Scott A. White represented by Craig Chupp (VA).

1. **Adopted the AG 49-A Technical Amendment Letter**

Reggie Mazyck (NAIC) explained that *Actuarial Guideline XLIX-A—The Application of the Life Illustrations Model Regulation to Policies With Index-Based Interest Sold On or After November 25, 2020 (AG 49-A)* was adopted with a Nov. 25 effective date at the Summer National Meeting, under the assumption that a corresponding version of *Actuarial Guideline XLIX—The Application of the Life Illustrations Model Regulation to Policies With Index-Based Interest* (AG 49), which sunsets AG 49 for new issues, would also be adopted with a Nov. 25 effective date at the Fall National Meeting. He said the rescheduling of the Fall National Meeting from mid-November to early December has delayed the anticipated adoption date of AG 49 and deferred its effective date to Dec. 14, 2020. He said that given the need for coordination of the effective dates of the two guidelines, the Task Force chair exposed a technical amendment (Attachment A) that changes the effective date of AG 49-A to Dec. 14 for a public comment period ending Oct. 20. NAIC staff have written a letter explaining the reasons for the technical amendment and notifying state insurance regulators and industry members of the proposed change in the effective date of AG 49-A. The letter also clarifies that companies will not be required to comply with AG 49-A on Nov. 25.

Mr. Weber made a motion, seconded by Mr. Toal, to adopt the AG 49-A technical letter (Attachment B). The motion passed, with Mr. Carmello dissenting.

2. **Adopted Edits to Model #805**

Mr. Boerner reminded Task Force members that the exposure (Attachment C) of potential changes to the *Standard Nonforfeiture Law for Individual Deferred Annuities (#805)* provided 0.15%, 0.25%, 0.35% and 0.50% as options for the new minimum nonforfeiture interest rate floor. Mr. Leung said that indexed annuities already have a 1% reduction in their minimum nonforfeiture formula, which allows the policyholder to purchase additional elective benefits such as guaranteed minimum withdrawal benefits (GMWBs). He said that a similar benefit is not available to the purchaser of a traditional deferred annuity. He suggested that the nonforfeiture rate floor should vary by product. Mr. Mazyck said that Mr. Leung’s suggestion is outside of the scope of the Request for NAIC Model Law Development. Ms. Bhalla said the New York Financial Services Department opposes lowering the rate to 0.15% because it does not strike the correct balance between solvency concerns and consumer interests. Mr. Andersen noted that companies can offer rates in excess of the minimum nonforfeiture interest rate. He said the competitiveness of the annuity market will lead companies to provide rates reflective of their interest environment. Ms. Bhalla and Mr. Toal expressed their desire to retain the current 1% rate. Mr. Leung said he prefers 1% but is willing to vote for 0.50%. Mr. Boerner said the companies he conferred with said 0.50% would be a strain for both indexed and traditional deferred annuities.

Mr. Weber made a motion, seconded by Ms. Ahrens, to adopt 0.15% as the new minimum nonforfeiture interest rate floor for Model #805. The motion passed via a 14–3 roll call vote, with Mr. Carmello, Mr. Toal and Mr. Leung dissenting.

3. **Exposed Amendment Proposal 2020-08**

Tim Cardinal (Cardinalis 1 Consulting) said amendment proposal 2020-08 (Attachment D) proposes a third methodology for aggregating company mortality experience, which allows a company to start in the middle, as opposed to using a top down or bottom up approach. Ms. Hemphill said the proposal is necessary because the *Valuation Manual* currently requires that a company
exclusively use either a top down or bottom up approach. She said the proposal provides the language necessary to give a company
the option of using an approach that starts at an intermediate level. She cautioned that while the approach makes sense actuarially,
the Task Force should consider its auditability.

Mr. Toal made a motion, seconded by Mr. Leung, to expose amendment proposal 2020-08 and the accompanying aggregation
demonstration spreadsheet (Attachment E) for a 30-day public comment period ending Nov. 10. The motion passed unanimously.

4. **Adopted its 2020 Summer Meeting Minutes**

Mr. Ostlund made a motion, seconded by Mr. Weber, to adopt the Task Force’s 2020 Summer Meeting minutes (Attachment F).
The motion passed unanimously.

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

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The Life Actuarial (A) Task Force met via Webex Oct. 1, 2020. The following Task Force members participated: Doug Slape, Chair, represented by Mike Boerner and Rachel Hemphill (TX); Tynesia Dorsey, Vice Chair, represented by Peter Weber (OH); Jim L. Ridling represented by Steve Ostlund (AL); Ricardo Lara represented by Ben Bock and Perry Kupferman (CA); Michael Conway represented by Eric Unger (CO); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Robert H. Muriel represented by Vincent Tsang (IL); Vicki Schmidt represented by Nicole Boyd (KS); Grace Arnold represented by Fred Andersen and John Robinson (MN); Chlora Lindley-Myers represented by William Leung (MO); Bruce R. Ramge represented by Rhonda Ahrens (NE); Marlene Caride represented by Kevin Clarkson (NJ); Russell Toal represented by Mark Hendrick (NM); Linda A. Lacewell represented by Bill Carmello (NY); and Glen Mulready represented by Andrew Schallhorn (OK).

1. **Discussed Edits to Model #805**

Adam Brown (Allianz) said half of the fixed annuity business placed in 2019 included a guaranteed lifetime withdrawal benefit (GLWB), many of which had explicit charges. He said a number of companies have either reduced the value of the GLWB or removed the elective benefit from the marketplace in 2020 due to the inability to manage the GLWB given the current low interest rate environment and the existing 1% interest rate floor on nonforfeiture values. He showed a spreadsheet (Attachment A) demonstrating that the higher the nonforfeiture interest rate floor, the more difficult it is to support the GLWB charges. He said the Allianz comment letter (Attachment B) provided further explanation of the effect of the nonforfeiture interest rate floor on elective benefits.

Mr. Leung suggested that the Task Force might consider determining a separate nonforfeiture floor for indexed annuities. Ms. Ahrens said the floor should remain the same for both indexed annuities and non-indexed annuities. Mr. Boerner said discussion of the issue will be continued on the next call.

2. **Adopted its 2021 Proposed Charges**

The Task Force’s 2021 proposed charges remain consistent with its 2020 charges, except for changing the Indexed Universal Life (IUL) (A) Subgroup charge from an implementation status to a monitoring status, adding a charge for the implementation of a new economic scenario generator (ESG), and updating the charges for the Valuation Manual (VM)-22 (A) Subgroup and the Guaranteed Issue (GI) Life Valuation (A) Subgroup.

Mr. Leung made a motion, seconded by Mr. Schallhorn, to adopt the Task Force’s 2021 proposed charges (Attachment C). The motion passed unanimously.

3. **Exposed Amendment Proposal 2020-09**

Ms. Hemphill said amendment proposal 2020-09 (Attachment D) proposes several changes to the life principle-based reserving (PBR) exemption. She said the first proposed change removes the requirement for an annual filing of the life PBR statement of exemption if company circumstances have not materially changed. She said the second proposed change allows for the exemption of companies that are unable to meet the premium thresholds to qualify for the exemption, but for which the only source of new business premium income is from policies converted from existing policies that were subject to VM-A, Appendix A – Requirements and VM-C, Appendix C – Actuarial Guidelines. She said the third proposed change clarifies that the premium to be considered when evaluating the life PBR exemption premium threshold is in force premium, not new business premium.

Ms. Boyd made a motion, seconded by Mr. Weber, to expose amendment proposal 2020-09 and the accompanying changes to the life, accident and health annual statement blank (Attachment E), for a 21-day public comment period ending Oct. 21. The motion passed unanimously.

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

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The Life Actuarial (A) Task Force met via Webex Sept. 24, 2020. The following Task Force members participated: Kent Sullivan, Chair, represented by Mike Boerner and Rachel Hemphill (TX); Tynesia Dorsey, Vice Chair, represented by Peter Weber (OH); Ricardo Lara represented by Ben Bock and Perry Kupferman (CA); Michael Conway represented by Eric Unger (CO); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Robert H. Muriel represented by Vinny Tsang (IL); Stephen W. Robertson represented by Karl Knable (IN); Vicki Schmidt represented by Nicole Boyd (KS); Grace Arnold represented by Fred Andersen and John Robinson (MN); Chlora Lindley-Myers represented by William Leung (MO); Bruce R. Ramge represented by Rhonda Ahrens (NE); Marlene Caride represented by Kevin Clarkson (NJ); Linda A. Lacewell represented by Bill Carmello (NY); Todd E. Kiser represented by Tomasz Serbinowski (UT); and Scott A. White represented by Craig Chupp (VA).

1. Discussed Edits to Model #805

Mr. Boerner said the currently exposed revision to the Standard Nonforfeiture Law for Individual Deferred Annuities (#805) (Attachment A) proposes either replacing the 0% annuity nonforfeiture interest rate floor previously adopted by the Task Force with 0.15%, 0.25%, 0.35% or 0.50%, or reverting to the 1% currently in Model #805. Adam Brown (Allianz) said the Allianz comment letter (Attachment B) supports the 0% floor. He said that when the nonforfeiture interest rate is too high, insurers may need to decrease other policy benefits to support the nonforfeiture value. He discussed the impact of the annuity nonforfeiture interest rate floor on lifetime withdrawal benefits. He said that fixed income annuities average $100,000 to $150,000 in premium, and some provide the policyholder an option to pay an annual fee to purchase additional lifetime income benefits. He noted that using the fee to purchase additional benefits results in lower cash values. He asked the Task Force to consider that information when determining the annuity nonforfeiture floor. Mr. Boerner said the Insured Retirement Institute (IRI) also submitted comments (Attachment C).

Naomi Kloepplersmith (Interstate Insurance Product Regulation Commission—Compact) said the Compact submitted a comment letter (Attachment D) and a demonstration (Attachment E) comparing the contract cash values and the minimum nonforfeiture values under various premium amount, guaranteed minimum interest rate and annuity nonforfeiture interest rate floor assumptions. She noted that the annuity nonforfeiture interest rate floor and the guaranteed minimum interest rate are not required to be the same. She said the Compact uniform standards do not allow a 0% guaranteed minimum interest rate.

Brian Bayerle (American Council of Life Insurers—ACLI) said the ACLI comments (Attachment F) support the 0% annuity nonforfeiture interest rate floor. Mr. Bayerle said the 0% rate would allow companies flexibility to deal with the uncertainty of the interest rate environment. The ACLI also provided a demonstration (Attachment G) similar to the spreadsheet provided by the Compact. Mr. Leung asked why it is necessary to lower the nonforfeiture interest rate floor if companies can independently lower the guaranteed minimum interest rate. Mr. Bayerle replied that lowering the nonforfeiture interest rate allows companies flexibility in product design. Mr. Brown said when the minimum nonforfeiture value exceeds the contract cash value, the company’s ability to provide lifetime income or indexing credits is limited. Mr. Tsang asked Mr. Brown to demonstrate the benefit a policyholder should expect to receive when using cash value to purchase additional lifetime income. Mr. Brown said the charges and the benefits received are disclosed in the policy. He said he will provide a demonstration of how the charges relate to the additional benefits.

2. Re-Exposed Amendment Proposal 2020-02

Mr. Bock said amendment proposal 2020-02 (Attachment H) was revised to address the comments received during its public comment period. He said the revisions clarify the intent of the proposal and softens some of its restrictions.

Mr. Leung made a motion, seconded by Mr. Yanacheak, to expose amendment proposal 2020-02 for a 21-day public comment period ending Oct. 15. The motion passed unanimously.

Having no further business, the Life Actuarial (A) Task Force adjourned.
The Life Actuarial (A) Task Force met via conference call Aug. 27, 2020. The following Task Force members participated: Kent Sullivan, Chair, represented by Mike Boerner and Rachel Hemphill (TX); Jillian Froment, Vice Chair, represented by Peter Weber (OH); Ricardo Lara represented by Perry Kupferman (CA); Michael Conway represented by Eric Unger (CO); Andrew N. Mais represented by Wanchin Chou, Jim Jakielo and Lei Rao-Knight (CT); Robert H. Muriel represented by Vincent Tsang (IL); Vicki Schmidt represented by Nicole Boyd (KS); Steve Kelley represented by Fred Andersen and John Robinson (MN); Chlora Lindley-Myers represented by William Leung (MO); Bruce R. Range represented by Rhonda Ahrens (NE); Marlene Caride represented by Seong-min Eom (NJ); Russell Toal represented by Mark Hendrick (NM); Linda A. Lacewell represented by Bill Carmello (NY); Todd E. Kiser represented by Tomasz Serbinowski (UT); and Scott A. White represented by Craig Chupp (VA).

1. **Adopted the 2021 GRET**

   Mr. Weber made a motion, seconded by Mr. Kupferman, to adopt the 2021 Generally Recognized Expense Tables (GRET) (Attachment A). The motion passed unanimously.

2. **Adopted Amendment Proposal 2020-03**

   Ms. Hemphill said amendment proposal 2020-03 clarifies that a more direct method can be used to calculate the net premium reserve (NPR) in lieu of using the mean reserve or mid-terminal reserve methods. She said the amendment proposal provides language from the *Statement of Statutory Accounting Principles (SSAP) 51R—Life Contracts* to support the use of the direct method.

   Mr. Chou made a motion, seconded by Ms. Eom, to adopt amendment proposal 2020-03 (Attachment B). The motion passed unanimously.

3. **Approved the SOA Mortality Improvement Scale**

   The Task Force considered approval of the 2020 Life Mortality Improvement (MI) Scale (Attachment C) developed by the Society of Actuaries (SOA) Life Mortality Improvement Subgroup. Ms. Rao-Knight said the Connecticut Insurance Department comment letter (Attachment D) states that the MI scale seems reasonable, based on the long-term nature of the MI scale and the limited COVID-19 data available. She said the qualified actuary should consider additional analysis of company data to assess the COVID-19 impact. Brian Bayerle (American Council of Life Insurers—ACLI) said the ACLI comment letter (Attachment E) supports the SOA recommendation. He said the MI scale should gradually reflect the COVID-19 deaths as data becomes available.

   The Task Force approved the mortality improvement scale for use with *Valuation Manual* requirements without objection from members.

Having no further business, the Life Actuarial (A) Task Force adjourned.
Agenda Item 2
Consider Adoption of Subgroup Reports
December 3, 2020

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

To: Mike Boerner, Chair
The Life Actuarial (A) Task Force

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

The Experience Reporting (A) Subgroup has not met since the Summer National Meeting. The Subgroup plans to meet prior to the Spring National Meeting to discuss development of mandatory experience reporting of variable annuity policyholder behavior data.
December 3, 2020

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

To:    Mike Boerner, Chair
       The Life Actuarial (A) Task Force

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

The Indexed Universal Life Illustration (A) Subgroup has not met since the Summer National Meeting. The Subgroup plans to monitor activity in the IUL illustration space following the effective date of Actuarial Guideline XLIX-A, The Application of the Life Illustrations Model Regulation to Policies With Index-Based Interest Sold On or After November 25, 2020 (AG 49-A).
December 3, 2020

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

To:    Mike Boerner, Chair
        The Life Actuarial (A) Task Force

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

The Variable Annuity Capital and Reserve (E/A) Subgroup has not met since the Summer National Meeting. The Subgroup continues to monitor results of companies implementing the Variable Annuity framework and stands ready to consider any requests of the Task Force or the Life Risk-Based Capital (E) Working Group.
December 3, 2020

From: Rhonda Ahrens, Chair
The Guaranteed Issue (GI) Life Valuation (A) Subgroup

To: Mike Boerner, Chair
The Life Actuarial (A) Task Force

Subject: The Report of the GI Life Valuation (A) Subgroup to the Life Actuarial (A) Task Force

The GI Life Valuation Subgroup has not met since the Summer National Meeting. The Subgroup plans to meet prior to the 2021 Spring National Meeting to continue discussion on potential solutions for GI Life mortality used for reserves, including potential solutions for use of own company mortality combined with a standardized mortality base and approaches for applying credibility standards to company specific mortality.
December 3, 2020

From: Rhonda Ahrens, Chair
The Longevity Risk (E/A) Subgroup

To: Mike Boerner, Chair
The Life Actuarial (A) Task Force

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

The Longevity Risk Subgroup has not met since the Summer National Meeting. The Subgroup plans to meet prior to the 2021 Spring National Meeting with a focus on Longevity Risk Transfer reserve formulation and potential C-2 factors for capital. In addition, the Subgroup will be awaiting year-end reporting of the zero-factor C-2 longevity risk measure in order to complete an impact study and work with the Life Actuarial (A) Task Force and Life Risk-Based Capital (E) Working Group on finalizing the C-2 factors within the adopted formula for C-2 longevity to be effective for year-end 2021 reporting.
Agenda Item 3

Consider Adoption of the Valuation Manual (VM)-22 (A) Subgroup Report
Draft: 11/24/20

Valuation Manual (VM)-22 (A) Subgroup
Virtual Meeting
October 28, 2020

The VM-22 (A) Subgroup of the Life Actuarial (A) Task Force met Oct. 28, 2020. The following Subgroup members participated: Bruce Sartain, Chair, and Vincent Tsang (IL); Perry Kupferman and Elaine Lam (CA); Jim Jakielo (CT); Mike Yanacheak (IA); Nicole Boyd (KS); William Leung (MO); Seong-min Eom (NJ); Russell Toal (NM); Bill Carmello (NY); Rachel Hemphill and Karen Jiang (TX); Tomasz Serbinowski (UT); and Craig Chupp (VA).

1. Exposed the Academy’s Preliminary Framework Elements for Fixed Annuity PBR

Ben Slutsker (American Academy of Actuaries—Academy) and John Miller (Academy) continued with an overview of the Academy’s Annuity Reserves Work Group (ARWG) preliminary framework elements for fixed annuity principle-based reserving (PBR) (see NAIC Proceedings – Fall 2020, Life Actuarial (A) Task Force, Attachment ___).

Mr. Miller described the exclusion testing method being recommended by the ARWG. He said the work of determining the appropriate percentage and identifying which products should pass the stochastic exclusion ratio test is continuing. He said the other exclusion test methods being proposed are stochastic exclusion demonstration test and the certification test. He said the certification test is expected to be used infrequently.

Ms. Hemphill questioned whether the stochastic exclusion demonstration test should be performed more frequently than every three years in the years before the block of business has stabilized.

Mr. Miller and Mr. Slutsker discussed capital considerations, as well as tax and allocation issues. Mr. Slutsker said the ARWG is especially interested in receiving comments on whether the proposed allocation method is too complex. He said the ARWG is also interested in considering proposals for alternative allocation methods.

Mr. Slutsker said the proposed disclosures for VM-22, Statutory Maximum Valuation Interest Rates for Income Annuities, follow the disclosure requirements of VM-21, Requirements for Principle-Based Reserves for Variable Annuities, but might require a few adjustments to address the specific characteristics of fixed annuities. He said the ARWG recommends that if the NAIC begins to collect variable annuity mortality, lapse and policyholder behavior experience data, then experience data for non-variable annuities should be collected, as well.

Mr. Slutsker reiterated that the ARWG would like to receive comments on the proposal, including the appendices. He said the ARWG is especially interested in comments on the deterministic certification option in Appendix V.

Ms. Hemphill made a motion, seconded by Mr. Yanacheak, to expose the Academy’s preliminary framework elements for fixed annuity PBR for a 45-day public comment period ending Dec. 14. The motion passed unanimously.

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

W:\National Meetings\2020\Fall\TF\LA\VM-22\10 28\10_28 VM-22 Minutes.docx
Valuation Manual (VM)-22 (A) Subgroup
Virtual Meeting
October 26, 2020

The VM-22 (A) Subgroup of the Life Actuarial (A) Task Force met Oct. 26, 2020. The following Subgroup members participated: Bruce Sartain, Chair, and Vincent Tsang (IL); Perry Kupferman and Elaine Lam (CA); Jim Jakielo (CT); Mike Yanacheak (IA); Nicole Boyd (KS); William Leung (MO); Seong-min Eom (NJ); Russell Toal (NM); Bill Carmello (NY); Rachel Hemphill and Karen Jiang (TX); Tomasz Serbinowski (UT); and Craig Chupp (VA).

1. Heard a Presentation from the Academy on its Preliminary Framework Elements for Fixed Annuity PBR

Ben Slutsker (American Academy of Actuaries—Academy), John Miller (Academy) and Chris Conrad (Academy) continued with an overview of the Academy’s Annuity Reserves Work Group (ARWG) preliminary framework elements for fixed annuity principle-based reserving (PBR) (see NAIC Proceedings – Fall 2020, Life Actuarial (A) Task Force, Attachment ___). This portion of the presentation focused on liability assumptions, supplemental benefits, reinsurance, exclusion testing and aggregation.

Mr. Slutsker said a modeled reserve methodology consistent with VM-21, Requirements for Principle-Based Reserves for Variable Annuities, is being recommended for VM-22, Statutory Maximum Valuation Interest Rates for Income Annuities. He said the recommended policyholder behavior assumptions are also consistent with VM-21. He noted that, as drafting efforts begin, attention will be paid to other non-variable annuity products types with characteristics different from those captured in VM-21.

Mr. Slutsker said policy loans can be modeled explicitly or by substituting assets that are a proxy for policy loans. He said that using the latter method requires a demonstration that it produces reserves no less than those generated using the explicit method.

Mr. Robinson asked if the demonstration requires companies to continually calculate reserves under both methods. Mr. Slutsker said the demonstration could be done on off quarters, annually or biennially.

Mr. Miller said the ARWG recommends that aggregation be based on principles related to how risks are managed. The overview listed several of the principles that should apply and provided examples.

Mr. Sartain asked if the principles preclude the aggregation of products with differing timing of cash flows. Mr. Miller said the principles would not preclude aggregation of products with liabilities of various lengths or differing cash flows.

Mr. Slutsker said the ARWG welcomes comments on the issue.

Ms. Hemphill said there is an analogous concern in VM-20, Requirements for Principle-Based Reserves for Life Products.

Mr. Miller said the ARWG recommends exclusion tests similar to those provided in VM-20. Policies passing an exclusion test would be subject to the pre-PBR Commissioners Annuity Reserve Valuation Method (CARVM).

Mr. Sartain noted that products that may be unable to pass an exclusion test separately can pass the exclusion tests by being aggregated with another product.

Ms. Hemphill said that is a reason for VM-20 prohibition of aggregating products with different risk profiles.

Having no further business, the VM-22 (A) Subgroup adjourned.
The VM-22 (A) Subgroup of the Life Actuarial (A) Task Force met Oct. 21, 2020. The following Subgroup members participated: Bruce Sartain, Chair, and Vincent Tsang (IL); Perry Kupferman and Elaine Lam (CA); Jim Jakielo (CT); Mike Yanacheak (IA); Nicole Boyd (KS); William Leung (MO); Rhonda Ahrens (NE); Seong-min Eom (NJ); Russell Toal (NM); Bill Carmello (NY); Rachel Hemphill and Karen Jiang (TX); Tomasz Serbinowski (UT); and Craig Chupp (VA).

1. **Heard a Presentation from the Academy on its Preliminary Framework Elements for Fixed Annuity PBR**

Ben Slutsker (American Academy of Actuaries—Academy), John Miller (Academy) and Chris Conrad (Academy) provided an overview of the Academy’s Annuity Reserves Work Group (ARWG) preliminary framework elements for fixed annuity principle-based reserving (PBR) (Attachment 1). The overview covered the ARWG objective; vision and need; preliminary timeline; summary of the framework; and details of the proposed elements of the framework, with a special focus on asset assumptions.

Mr. Conrad said the ARWG recommends that the revised VM-22, Statutory Maximum Valuation Interest Rates for Income Annuities, apply to both deferred annuity and payout annuity contracts, whether they are considered individual or group contracts. He said it is yet to be determined whether modified guaranteed annuities (MGAs), structured annuities, or hybrid variable and fixed annuities will be in scope. He said the ARWG recommends a three-year optional implementation period. He said the ARWG will determine later whether to recommend application of the revisions to in-force policies.

Mr. Conrad discussed the reinvestment and asset assumptions, including the investment mix. He said, given the emphasis on general account spreads for fixed annuities, the ARWG recommends revisiting the reinvestment guardrail that consists of 50% A-rated corporate bonds and 50% AA-rated corporate bonds. The ARWG recommends using the current VM-22 asset mix consisting of 5% U.S. Treasury bonds, 15% AA-rated corporate bonds, 40% A-rated corporate bonds and 40% BBB-rated corporate bonds. He noted that the asset mix should be updated periodically to reflect actual industry investment practices.

Mr. Carmello voiced concern over the use of BBB-rated corporate bonds in the asset mix. He said company investment practices should not be considered when setting reserve requirements.

Mr. Sartain said an available path is to mimic VM-21, Requirements for Principle-Based Reserves for Variable Annuities, and then liberalize it as needed to accommodate VM-22.

Connie Tang (Prudential) said that, in earlier discussions, it was suggested that the Task Force be asked to reconsider the 50/50 reinvestment mix.

Ms. Hemphill said she would like to hear industry comments on all aspects of the reinvestment guardrail.

Mr. Sartain said the process for determining the guardrail and asset mix should be considered.

The ARWG plans to provide an informal education session as a follow-up to the overview.

2. **Voted to Recommend Exploration of an SPA for the Fixed Annuity PBR Framework**

Ms. Hemphill made a motion, seconded by Mr. Leung, to recommend exploration of a standard projection amount (SPA) for the fixed annuity principle-based reserving (PBR) framework, to the Life Actuarial (A) Task Force. The SPA will be analogous to the SPA used in VM-21. The motion did not include consideration of the SPA as either a reserve floor or a disclosure item. The motion passed unanimously.

Having no further business, the VM-22 (A) Subgroup adjourned.
Agenda Item 4
Hear an Update on the Interstate Insurance Product Regulation Commission
No Materials
Agenda Item 5

Hear an Update on Society of Actuaries (SOA) Research and Education
Society of Actuaries
Research Update

DALE HALL, FSA, MAAA
Managing Director of Research
December, 2020
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.
Mortality By Socioeconomic Category In The United States
Purpose and Deliverables

• Study trends in mortality by socioeconomic category from 1999 to 2018
  • Stratifies US population into 10 categories based on education, occupation, employment, income, home pricing and quality

• Outcome of study:
  • Set of life tables by socioeconomic category
  • Report summarizing table development and mortality analysis
  • Interactive Tableau exhibits to aid in understanding life tables

https://www.soa.org/resources/research-reports/2020/us-mortality-rate-socioeconomic/
Growing Inequalities in Mortality

Figure 1.
EXPECTATION OF LIFE AT BIRTH (IN YEARS) BY SOCIOECONOMIC DECILE FOR EACH SEX, 1999-2018

Note: The 1st decile represents the 10 percent of the population in counties with the lowest SiSs and the 10th decile, the 10 percent of the population in counties with the highest SiSs.
Large Disparities - Children and Adults 40-60

Figure 2
*RATIO OF THE PROBABILITIES OF DYING (q_x) IN EACH DECILE TO THE U.S. TOTAL, EACH SEX, 2018 (%)*

*Note:* The 1st decile represents the 10 percent of the population in counties with the lowest SISs and the 10th decile, the 10 percent of the population in counties with the highest SISs.
Annual Mortality Improvement 1999-2018 - Males
Annual Mortality Improvement 1999-2018 - Females
Future

• 1982-1998 to be included  
• Continued analysis of data especially mortality improvement  
• More research to understand disparities – cause of death
Additional SOA Life Research
# SOA Experience Studies

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Objective</th>
<th>Expected Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017 Variable Annuity Guaranteed Living Benefit Utilization Study</td>
<td>Examine the utilization of guaranteed living benefit options on variable annuity policies under a Joint SOA/LIMRA project and release Tableau visualizations with the observations from the study.</td>
<td>Complete. On SOA website.</td>
</tr>
<tr>
<td>GRET for 2021</td>
<td>Develop the Generally Recognized Expense Table (GRET) for 2021 purposes.</td>
<td>Complete. On SOA website.</td>
</tr>
<tr>
<td>COVID-19 Cash Flow Testing, Nov 2020</td>
<td>A pulse survey aimed at obtaining a quick read on how the COVID-19 pandemic is impacting insurance companies and reinsurers cash flow.</td>
<td>12/15/2020</td>
</tr>
<tr>
<td>Emerging Issues in Underwriting Survey</td>
<td>A survey to give insight into emerging issues in underwriting and their impact on processes and practices.</td>
<td>1/31/2021</td>
</tr>
<tr>
<td>2000-2017 Post Level Term Mortality and Lapse - Report</td>
<td>Complete a study of mortality and lapse on term policies in the post level premium period.</td>
<td>2/15/2021</td>
</tr>
<tr>
<td>2011-2015 Deferred Annuity Mortality Study</td>
<td>Explore the mortality experience from 2011-2015 in deferred annuity contracts and release a report with the findings and a database with the experience data.</td>
<td>2/28/2021</td>
</tr>
<tr>
<td>2016-18 Fixed Indexed Annuity Study</td>
<td>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.</td>
<td>2/28/2021</td>
</tr>
<tr>
<td>2018 Variable Annuity Guaranteed Living Benefit Utilization Study</td>
<td>Examine the utilization of guaranteed living benefit options on variable annuity policies under a Joint SOA/LIMRA project.</td>
<td>2/28/2021</td>
</tr>
<tr>
<td>2009-2015 Individual Life Experience Committee Lapse and Mortality Study</td>
<td>Study mortality and lapse experience in the database of 2009-2015 individual life experience data and release a report with the findings.</td>
<td>2/28/2021</td>
</tr>
<tr>
<td>2009-16 Individual Life Mortality Study</td>
<td>Complete the next in a series of experience analysis of individual ordinary life insurance mortality.</td>
<td>2/28/2021</td>
</tr>
<tr>
<td>COVID-19 Individual Life Mortality Study - Report</td>
<td>Complete a mortality study assessing the impact of COVID-19 on Individual Life Insurance.</td>
<td>2/28/2021</td>
</tr>
<tr>
<td>Mortality Improvement Survey</td>
<td>Complete a survey to learn how companies are reacting to the slowdown in the level of mortality improvement within the general population.</td>
<td>2/28/2021</td>
</tr>
</tbody>
</table>

# SOA Practice Research & Data Driven In-house Research

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Objective</th>
<th>Expected Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019 Emerging Risk Survey (13th)-Full Report</td>
<td>Provide the full research report that tracks the trends and thoughts of risk managers across time.</td>
<td>Complete. On SOA web site.</td>
</tr>
<tr>
<td>COVID-19 Mortality Modeling Survey Summary of Results, Updated July 9, 2020</td>
<td>A pulse survey aimed at obtaining a quick read on how the COVID-19 pandemic is impacting insurance companies and reinsurers mortality modeling.</td>
<td>Complete. On SOA web site.</td>
</tr>
<tr>
<td>COVID-19 New Business and Product Survey Summary of Results, Updated July 30, 2020</td>
<td>A pulse survey aimed at obtaining a quick read on how the COVID-19 pandemic is impacting insurance companies and reinsurers new business and products.</td>
<td>Complete. On SOA web site.</td>
</tr>
<tr>
<td>COVID-19 Asset/Liability Management (ALM) Survey Summary of Results, September 10, 2020</td>
<td>A pulse surveys aimed at obtaining a quick read on how the COVID-19 pandemic is impacting insurance companies and reinsurers ALM.</td>
<td>Complete. On SOA web site.</td>
</tr>
<tr>
<td>Epigenetics and Underwriting</td>
<td>Draft a white paper discussing Epigenetics and how it will impact underwriting in the future.</td>
<td>Complete. On SOA web site.</td>
</tr>
<tr>
<td>Reinsurance Treaty Recapture</td>
<td>Compile an inventory of life reinsurance recapture treaty provisions and terms across industry.</td>
<td>Complete. On SOA web site.</td>
</tr>
<tr>
<td>Simplified Methodologies</td>
<td>Investigates simplifications, approximations, and modeling efficiency techniques allowed under VM-20 for determining reserves.</td>
<td>Complete. On SOA web site.</td>
</tr>
<tr>
<td>US Mortality by Socioeconomic Category</td>
<td>Construct a set of detailed life tables by socioeconomic category across all US counties.</td>
<td>Complete. On SOA web site.</td>
</tr>
<tr>
<td>Complex Model Evaluation</td>
<td>Review existing literatures on GLMs, discuss actuarial standards for using complex models outside of actuary's initial expertise, develop case studies for demonstrating methods of evaluating the validation of complex models.</td>
<td>12/31/2020</td>
</tr>
<tr>
<td>Human Mortality Database - 2019 Projects</td>
<td>Enhances the Human Mortality Database by focusing on state level mortality tables and expanding causes of death mortality tables for more countries.</td>
<td>12/31/2020</td>
</tr>
<tr>
<td>Modelling and Forecasting Cause-of-Death Mortality by Socio-Economic Factors</td>
<td>Develop mortality projection models to analyze and forecast mortality by cause of death and socio-economic factors.</td>
<td>12/31/2020</td>
</tr>
<tr>
<td>Obesity Trends and Morbidity and Longevity Impacts</td>
<td>Develop an estimate of the impact of obesity in mortality and morbidity costs in the US and Canada.</td>
<td>12/31/2020</td>
</tr>
<tr>
<td>InsurTech White Paper</td>
<td>Write a white paper covering the InsurTech landscape in the US and discuss how actuaries will be impacted.</td>
<td>2/28/2021</td>
</tr>
<tr>
<td>Mortality Improvement Trends Analysis</td>
<td>Identify how mortality improvement varies by driver</td>
<td>4/30/2021</td>
</tr>
</tbody>
</table>

5. [https://www.soa.org/resources/research-reports/2020/simplified-methods/](https://www.soa.org/resources/research-reports/2020/simplified-methods/)  
6. [https://www.soa.org/resources/research-reports/2020/us-mort-rate-socioeconomic/](https://www.soa.org/resources/research-reports/2020/us-mort-rate-socioeconomic/)
Agenda Item 6

Hear an Update from the American Academy of Actuaries (Academy) Life Practice Council

Materials to be distributed later
Agenda Item 7
Hear an Update on Experience Reporting Data
No Materials
Agenda Item 8
Consider Exposure of Valuation Manual Amendment Proposals
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.

Tim Cardinal, FSA, MAAA, CERA. Cardinalis 1 Consulting. Clarify and introduce a third permissible technique for the calculation of company experience rates.

2. Identify the document, including the date if the document is “released for comment,” and the location in the document where the amendment is proposed:


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 Appendix.

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

See attached Appendix and Excel file.
Appendix

SECTION:

REDLINE:
9.C.2.d.vi. If the company uses the aggregate company experience for a group of mortality segments
when determining the company experience mortality rates for each of the individual
mortality segments in the group, the company shall either use one of the following methods:

a. Use techniques to further subdivide the aggregate experience into the various mortality
segments (e.g., start with aggregate non-smoker and then use the conservation of total
deaths principle, normalization or other approach to divide the aggregate mortality into
super preferred, preferred and residual standard non-smoker class assumptions).

b. Use techniques to adjust the experience of each mortality segment in the group to
reflect the aggregate company experience for the group (e.g., by credibility weighting
the individual mortality segment experience with the aggregate company experience for
the group).

c. Use a two-step sequential method, which

  1) forms subgroups which are groups of mortality segments and are subsets of the
aggregate class of mortality segments being aggregated,

  2) uses techniques as in (b) to adjust the experience of each subgroup from (1) to
reflect the aggregate company experience for the group and conserve deaths, and

  3) finally uses techniques as in (a) to further subdivide the subgroups’ adjusted
experience from (2) into the various mortality segments while conserving each
subgroup’s deaths determined in step (2)’s conservation of deaths.

For example, if mortality segments vary by sex, risk class, and face bands, then

  1) segments that differ by face band are aggregated to form subgroups that vary
just by sex and risk class,

  2) the subgroups’ mortality experience is credibility weighted with the aggregate
company experience for the group and normalized, and

  3) the subgroups’ adjusted mortality experience are then subdivided into the
various mortality segments based on credible, external face band relativities and
conservation of deaths is applied to each subgroup’s normalized deaths
determined in (2).

REASONING:
A minor point is clarity. “Either” can mean one or both. The intent is one of a) or b) but not both. The
major issue is both a) and b) have weaknesses in contexts with high levels of granularity resulting in a
large number of mortality segments such as 120 or 360 segments. For example consider a block with
360 mortality segments determined by 2 sexes × 6 risk classes × 5 face bands × 3 product types × 2
underwriting types (such as full and accelerated). A company may have very high credibility for each of
12 segments as determined by 2 sexes × 6 risk classes but have very low credibility for each of the 360
segments. Both a) and b) could produce company experience rates that negate the very reasons a
company uses a high level of granularity. Using b) for example, all segment rates would be equal to the
aggregate A/E rates, which is equivalent to no granularity. By applying b) to subgroups and applying a) to
divide the subgroups, the proposed technique c) is more robust drawing upon a) and b)’s strengths.
while mitigating their weakness. If there is one subgroup which is the aggregate then a) is a special case of c). If each subgroup is a segment then b) is a special case of c). See the attached excel file that adds two examples to the NAIC examples for a) and b). Example 8 is an example of a correct way to apply c) and Example 9 is an incorrect way.
Brian Bayerle  
Senior Actuary  

November 13, 2020  

Mr. Mike Boerner  
Chair, NAIC Life Actuarial Task Force (LATF)  

Re: APF 2020-08  

Dear Mr. Boerner:  

The American Council of Life Insurers (ACLI) appreciates the opportunity to submit the following comments on APF 2020-08.  

ACLI appreciates the intent of this APF to provide an additional method for mortality aggregation. While the intent of this was to capture the universe of acceptable possibilities, it raises the question if other acceptable methods would be allowable. The issue seems to reinforce that, where possible, the Valuation Manual should move away from prescription and towards well-defined principles with appropriate guardrails. Our preference would be language that provides flexibility to companies in their aggregation, subject to appropriate limitations. Additionally, the examples in the APF are probably not necessary in the text of the Valuation Manual since they are clearly explained within the examples spreadsheet provided.  

We appreciate the consideration of our comments, and look forward to discussing on a future LATF call. Thank you.  

Sincerely,  

cc: Reggie Mazyck, NAIC
## 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

2. **Title of the Issue:**
   - 1. Modify Life PBR Exemption to not require annual exemption requests if the company continues to meet the premium thresholds and does not have any ULSG with material SG.
   - 2. Not require VM-20 when all new issues arise due to policyholders exercising guarantees or options (e.g. for conversion) in existing policies valued under VM-A/VM-C.

3. **Identify the document, including the date if the document is “released for comment,” and the location in the document where the amendment is proposed:**

   Valuation Manual Section II, Subsection 1.D

   January 1, 2020 NAIC *Valuation Manual*

4. **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.

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

   Reduce filing burden for companies and state regulators by making the Life PBR Exemption a one-time filing until conditions for the exemption change. Allow exemption for companies that do not meet the premium thresholds, but are only issuing new policies that would be subject to VM-20 due to policyholders exercising guarantees or options (e.g. for conversion) from existing policies being valued under the pre-PBR framework.

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* This form is not intended for minor corrections, such as formatting, grammar, cross-references or spelling. Those types of changes do not require action by the entire group and may be submitted via letter or email to the NAIC staff support person for the NAIC group where the document originated.

**NAIC Staff Comments:**

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Valuation Manual Section II, Subsection 1.D

D. Life PBR Exemption

1. A company meeting the at least one of the conditions in D.2 below may file a statement of exemption for ordinary life insurance policies, except for policies in D.3 below, issued directly or assumed during the current calendar year, that would otherwise be subject to VM-20. If a company has no business issued directly or assumed during the current calendar year that would otherwise be subject to VM-20, a statement of exemption is not required. For a filed statement of exemption, such a statement must be filed with the domiciliary commissioner prior to July 1 of that year certifying that at least one of the two conditions in D.2 was met based on premiums from the prior calendar year annual statement. The statement of exemption must also be included with the NAIC filing for the second quarter of that year.

The domiciliary commissioner may reject such statement prior to Sept. 1 and require the company to follow the requirements of VM-20 for the ordinary life policies covered by the statement.

If a filed statement of exemption is not rejected by the domiciliary commissioner, the filing of subsequent statements of exemption is not required as long as the company continues to qualify for the exemption; rather, ongoing statements of exemption for each new calendar year will be deemed to not be rejected, unless: 1) the company fails to meet either condition in D.2 below, 2) the policies contain those in D.3 below, or 3) the domiciliary commissioner contacts the company prior to Sept. 1 and notifies them that the statement of exemption is rejected. If any of these three events occur, then the statement of exemption for the current calendar year is rejected and a new statement of exemption must be filed and not rejected in order for the company to exempt additional policies. In the case of an ongoing statement of exemption, rather than include a statement of exemption with the NAIC filing for the second quarter of that year, the company should enter “SEE EXPLANATION” in response to the Life PBR Exemption supplemental interrogatory and provide as an explanation that the company is utilizing an ongoing statement of exemption.

2. Conditions for Exemption:
   a. The company has less than $300 million of ordinary life premiums, and if the company is a member of an NAIC group of life insurers, the group has combined ordinary life premiums of less than $600 million; or
   b. The only new policies subject to VM-20 being issued or assumed by the company are due to election of policy benefits or features from existing policies that are being valued under VM-A and VM-C and the company was exempted from, or otherwise not subject to, the requirements of VM-20 in the prior year.

3. Policies Excluded from the Life PBR Exemption:
   a. Universal life with secondary guarantee (ULSG) policies with a secondary guarantee that does not meet the VM-01, Definitions for Terms in Requirements, definition of a “non-material secondary guarantee.”

4. Each exemption, or lack of an exemption, applies only to policies issued or assumed in the current year, and it applies to all future valuation dates for those policies. The minimum reserve requirements for the ordinary life policies subject to the exemption are those pursuant to applicable methods required in VM-A and VM-C using the mortality as defined in VM-20 Section 3.C.1 and VM-M Section 1.H.

**Valuation Manual Section II, Subsection 1.D - Footnote**

1 Premiums are measured as total (first year, single, and renewal) direct plus total (first year, single, and renewal) reinsurance assumed from an unaffiliated company from the ordinary life line of business reported in the prior calendar year life/health annual financial statement, Exhibit I, Part 1, Column 3, “Ordinary Life Insurance” excluding premiums for guaranteed issue policies and preneed life contracts and excluding amounts that represent the transfer of reserves in force as of the effective date of a reinsurance assumed...
transaction and are reported in Exhibit 1 Part 1, Column 3 as ordinary life insurance premium. Preneed is as defined in VM-01.