

# MEETING MATERIALS PACKET

LIFE ACTUARIAL (A) TASK FORCE

August 1 & 2, 2019

NAIC SUMMER NATIONAL MEETING

New York, New York



August 1 & 2, 2019

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Date: 7/26/19

2019 Summer National Meeting  
New York, New York

**LIFE ACTUARIAL (A) TASK FORCE**  
**Thursday, August 1, 2019 | 8:00 a.m. – 4:30 p.m.**  
**Friday, August 2, 2019 | 8:00 – 11:00 a.m.**  
**Hilton New York Midtown—Gramercy—2 Level**

**ROLL CALL**

<b>Member</b>	<b>Representative</b>	<b>State</b>
Kent Sullivan, Chair	Mike Boerner	Texas
Jillian Froment, Vice Chair	Peter Weber	Ohio
Jim L. Ridling	Steve Ostlund	Alabama
Lori K. Wing-Heier	Greg Campbell	Alaska
Ricardo Lara	Perry Kupferman	California
Andrew N. Mais	Wanchin Chou	Connecticut
Robert H. Muriel	Bruce Sartain	Illinois
Stephen W. Robertson	Karl Knable	Indiana
Doug Ommen	Mike Yanacheak	Iowa
Vicki Schmidt	Nicole Boyd	Kansas
Steve Kelley	Fred Andersen	Minnesota
Chlora Lindley-Myers	William Leung	Missouri
Bruce R. Ramge	Rhonda Ahrens	Nebraska
Marlene Caride	Seong-min Eom	New Jersey
John G. Franchini	Mark Hendrick	New Mexico
Linda A. Lacewell	Bill Carmello	New York
Glen Mulready	Andrew Schallhorn	Oklahoma
Todd E. Kiser	Tomasz Serbinowski	Utah
Scott A. White	Craig Chupp	Virginia

NAIC Support Staff: Reggie Mazyck/Eric King

**AGENDA**

**Thursday, August 1, 2019**

- |                        |   |
|------------------------|---|
| 8:00 – 8:10 a.m.       | 1. Call to Order/Roll Call/Consider Adoption of Task Force Minutes— <i>Mike Boerner (TX)</i>  |
| 8:10 – 8:30 a.m.       | 2. Consider Exposure of the Generally Recognized Expense Tables (GRET) Recommendation— <i>Leon Langlitz (Society of Actuaries [SOA])</i>  |
| 8:30 – 8:55 a.m.       | 3. Consider Adoption of the VM-22 (A) Subgroup Report— <i>John Robinson (MN)</i>  |
| 8:55 – 9:10 a.m.       | 4. Hear an Update from the American Academy of Actuaries (Academy) Annuity Reserves Work Group— <i>Ben Slutsker (Academy)</i>   |
| 9:10 – 9:25 a.m.       | 5. Hear an Update from the Academy Standard Valuation Law Interest Rate Subgroup— <i>Chris Conrad (Academy)</i>   |
| 9:25 – 9:35 a.m.       | 6. Consider Adoption of the Longevity Risk (A/E) Subgroup Report— <i>Rhonda Ahrens (NE)</i>   |
| 9:35 – 9:50 a.m.       | Break   |
| 9:50 – 10:00 a.m.      | 7. Consider Adoption of the Variable Annuities Capital and Reserve (E/A) Subgroup Report— <i>Peter Weber (OH)</i>   |
| 10:00 – 11:30 a.m.     | 8. Consider Adoption of the IUL Illustration (A) Subgroup Report— <i>Fred Andersen (MN)</i>   |
| 11:30 a.m. – 1:00 p.m. | Lunch   |
| 1:00 – 1:30 p.m.       | 9. Consider Adoption of the Experience Reporting (A) Subgroup Report— <i>Fred Andersen (MN)</i>   |
| 1:30 – 2:00 p.m.       | 10. Hear an Update on Accelerated Underwriting Data Elements— <i>Mary Bahna-Nolan (Academy Life Experience Committee and SOA Preferred Mortality Project Oversight Group [Joint Committee])</i> |
| 2:00 – 2:45 p.m.       | 11. Discuss Examples of Mortality Aggregation— <i>Pat Allison (NAIC) and Rachel Hemphill (CA)</i>   |

- 2:45 – 3:00 p.m. Break  
 3:00 – 4:30 p.m. 12. Consider Exposure/Adoption of *Valuation Manual* Amendments—*Mike Boerner (TX)*

**Friday, August 2, 2019**

- 8:00 – 8:05 a.m. 1. Call to Order/Roll Call—*Mike Boerner (TX)*  
 8:05 – 8:15 a.m. 2. Hear an Update on the Interstate Insurance Product Regulation Commission (Compact)  
 —*Katie Campbell (Compact)*  
 8:15 – 9:00 a.m. 3. Hear an Update on International Insurance Developments—*Josh Windsor (NAIC)*  
 9:00 – 9:30 a.m. 4. Hear an Update on the Yearly Renewable Term (YRT) Field Test  
 —*Jason Kehrberg (Academy Life Practice Council)*  
 9:30 – 9:40 a.m. 5. Hear an Update on the YRT Field Test Design  
 —*Pat Allison (NAIC)*  
 9:40 – 9:55 a.m. Break  
 9:55 – 10:15 a.m. 6. Hear an Update on the Proposal for the Valuation Manual Treatment of Conversion  
 Mortality—*Leonard Mangini (Academy Life Reserves Work Group)*  
 10:15 – 10:30 a.m. 7. Hear an Update on SOA Research and Education—*Dale Hall (SOA)*  
 10:30 – 10:40 a.m. 8. Hear an Update on the Academy PBR Governance Work Group  
 —*Donna Claire (Academy Life Practice Council)*  
 10:40 – 10:55 a.m. 9. Hear an Update from the Academy Council on Professionalism  
 —*Shawna Ackerman (Academy), Kathy Riley (Actuarial Standards Board [ASB])*  
 and *Godfrey Perrott (Actuarial Board for Counseling and Discipline [ABCD])*  
 10:55 – 11:00 a.m. 10. Discuss Any Other Matters Brought Before the Task Force—*Mike Boerner (TX)*  
 11:00 a.m. 11. Adjournment

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**Consider Adoption of Life Actuarial (A) Task Force**  
**Minutes**

Draft: 7/18/19

Life Actuarial (A) Task Force  
Conference Call  
June 25, 2019

The Life Actuarial (A) Task Force met via conference call June 25, 2019. The following Task Force members participated: Kent Sullivan, Chair, represented by Mike Boerner (TX); Jillian Froment, Vice Chair, represented by Peter Weber (OH); Lori K. Wing-Heier represented by Gregory Campbell (AK); Ricardo Lara represented by Rachel Hemphill and Perry Kupferman (CA); Andrew N. Mais represented by Wanchin Chou (CT); Robert H. Muriel represented by Bruce Sartain (IL); Stephen W. Robertson represented by Karl Knable (IN); 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. Ramage represented by Rhonda Ahrens (NE); John G. Franchini represented by Mark Hendrick (NM); Linda A. Lacewell represented by William Carmello and Amanda Fenwick (NY); Glen Mulready represented by Andy Schallhorn (OK); Todd E. Kiser represented by Tomasz Serbinowski (UT); and Scott A. White represented by Craig Chupp (VA).

1. Agreed to Forward the Company Selection Process Memorandum to the Experience Reporting Subgroup

Pat Allison (NAIC) discussed the memorandum to the Experience Reporting (A) Subgroup that lays out the company selection process for companies subject to the mandatory VM-51 data call. She said the list of companies was determined using the criteria listed in Section 2.C of VM-51. She said, while the data collection process applies to all issue years of a company's business, focus was put on those companies that will be subject to principle-based reserving (PBR) in 2020.

Ms. Allison reviewed detail of the company selection process. She noted that all companies that are currently participating in the Kansas and New York data calls have been selected to participate in the VM-51 data call. The data collection target level is 85% of industry claim experience. After completing the selection process, the final data collection level was 92% of industry claim experience. She said the possibility of companies exercising exemption options made available in the Valuation Manual and the inability to obtain granular data from the annual statement necessitated a collection level percentage higher than target.

Ms. Allison said companies will be notified shortly. She said a webinar on the data collection process will be available in July and a second webinar to demonstrate the regulatory data collection tool will be provided as the data submission date draws near. She said the goal is to have companies test their data files well in advance of the 2020 data submission date.

The Task Force agreed, without objection, to accept the company selection process (Attachment One).

2. Adopted APF 2019-31

Mr. Boerner provided a brief overview of amendment proposal 2019-31 reiterating the revisions discussed on the June 20 Task Force conference call. He said, given questions regarding exemption of a portion of policies meeting the exemption criteria, there has been an additional edit made to the proposal. He said the edit removes the phrase "all or a specified portion of" in the second paragraph of Section D.1. Mr. Leung suggested removing the phrase "and other values" from the first paragraph Section D.1 because premiums are the only values in consideration. Mr. Robinson suggested changing the phrase "in the statement" in the second paragraph of Section D.1 to "covered by the statement."

Mr. Leung made a motion, seconded by Mr. Campbell, to adopt amendment proposal 2019-31 (Attachment Two), including the agreed upon edits to Section D.1. The motion passed unanimously.

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

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Draft: 7/18/19

Life Actuarial (A) Task Force  
Conference Call  
June 20, 2019

The Life Actuarial (A) Task Force met via conference call June 20, 2019. The following Task Force members participated: Kent Sullivan, Chair, represented by Mike Boerner (TX); Jillian Froment, Vice Chair, represented by Peter Weber (OH); Lori K. Wing-Heier represented by Gregory Campbell (AK); Ricardo Lara represented by Rachel Hemphill and Perry Kupferman (CA); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Robert H. Muriel represented by Bruce Sartain (IL); Stephen W. Robertson represented by Karl Knable (IN); 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. Ramge represented by Rhonda Ahrens (NE); Marlene Caride represented by Seong-min Eom (NJ); Linda A. Laceywell represented by William Carmello and Amanda Fenwick (NY); Glen Mulready represented by Andy Schallhorn (OK); Todd E. Kiser represented by Tomasz Serbinowski (UT); and Scott A. White represented by Craig Chupp (VA).

1. Adopted APF 2019-26, APF 2019-27, APF 2019-28, APF 2019-55 and AG 43

Mr. Weber said the amendment proposals to incorporate the VA Framework into the Valuation Manual have completed their exposure periods and are ready for adoption. He recommended a single motion to adopt the proposals and the revision to Actuarial Guideline XLIII, CARVM for Variable Annuities (AG 43). John Bruins (American Council of Life Insurers-ACLI) said the ACLI supports adoption of the amendments and AG 43.

Mr. Weber made a motion, seconded by Mr. Leung, to adopt amendment proposals 2019-26 (Attachment One), 2019-27 (Attachment Two), 2019-28 (Attachment Three), 2019-55 (Attachment Four) and the revised AG 43 (Attachment Five). The motion passed, with Mr. Carmello opposing.

2. Adopted APF 2019-46

Brian Bayerle (ACLI) said amendment proposal 2019-46 proposes to defer the collection of company experience data in the event the experience reporting agent suffers a security breach, or a material deficiency is identified during its annual review.

Mr. Campbell made a motion, seconded by Mr. Weber, to adopt proposal 2019-46 (Attachment Six). The motion passed unanimously.

3. Adopted APF 2019-01

Mr. Bayerle said amendment proposal 2019-01 provides a certification method to be used in very limited circumstances to allow conversion products to avoid the deterministic exclusion test (DET) requirement.

Mr. Leung made a motion, seconded by Ms. Hemphill, to adopt amendment proposal 2019-01 (Attachment Seven). The motion passed unanimously.

4. Adopted APF 2019-36

Mr. Bayerle said amendment proposal 2019-36 clarifies the application of VM-22, Statutory Maximum Valuation Interest Rates for Income Annuities, to deposit-type contracts.

Mr. Weber made a motion, seconded by Mr. Campbell, to adopt proposal 2019-36 (Attachment Eight). The motion passed unanimously.

5. Adopted APF 2019-39

Mr. Boerner said amendment proposal 2019-39 is an interim solution to the yearly renewable term (YRT) reinsurance reserve credit issue. He said the proposal limits the reserve credit to  $\frac{1}{2} c_x$  and includes a 3-year carve out for policies issued in years

2017 through 2019 to avoid disrupting the market. The proposal is effective beginning Jan. 1, 2020 and is expected to be replaced by a permanent solution in 2021 or possibly late 2020.

Doug Wheeler (New York Life) said the comment letter (Attachment Nine) from New York Life and Northwestern Mutual Life voiced support for the proposal as the most viable interim solution. Sharon Brody (Prudential) said the comment letter from the coalition of eight companies supports amendment proposal 2019-40 (Attachment Ten) as an interim solution complementary to the existing principle-based reserving (PBR) requirements. She said adoption of amendment 2019-39 would set an unfortunate precedent. She said, because the accounting guidance predates PBR, a referral is needed to have the Statutory Accounting Principles (E) Working Group (SAPWG) review the accounting requirements to determine if updates to reflect the principle-based approach are necessary.

Mr. Andersen made a motion, seconded by Ms. Hemphill, to adopt proposal 2019-39 (Attachment Eleven). The motion passed with Mr. Weber, Mr. Campbell, Ms. Hemphill, Mr. Sartain, Ms. Boyd, Mr. Andersen, Mr. Leung, Mr. Carmello and Chupp voting for the amendment and Mr. Chou, Mr. Yanacheak, Mr. Knable, Ms. Ahrens, Ms. Eom, Mr. Schallhorn, and Mr. Serbinowski voting against the amendment.

6. Adopted APF 2018-57

Mr. Bayerle said amendment proposal 2018-57 is intended to provide flexibility for companies that may need to adjust the mortality table when they expect the company experience to be higher. He said the ACLI prefers the inclusion of the word “consider” in Section 3.C.1.g of VM-20. Mr. Carmello said he prefer to leave out the word consider.

Mr. Carmello made a motion, seconded by Mr. Campbell, to adopt proposal 2018-57 (Attachment Twelve) with the word “consider” removed. The motion passed unanimously.

7. Discussed APF 2019-31

Mr. Boerner said the revision to amendment proposal 2019-31 provides edits to previously adopted amendment proposal 2018-08 to simplify the language and provide the domiciliary commissioner the option to reject a portion of the business for which a company is requesting the life PBR exemption. He said the revised proposal also removes the unqualified opinion requirement. John Robinson said his comment letter (Attachment Thirteen) expresses his concern that providing an option for commissioners creates a possibility of disparate treatment across states. He requested that the NAIC Legal staff review the legality of the commissioner having an option to reject the exemption request of a company that meets the criteria for the life PBR exemption.

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

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Draft: 7/18/19

Life Actuarial (A) Task Force  
Conference Call  
June 4, 2019

The Life Actuarial (A) Task Force met via conference call June 4, 2019. The following Task Force members participated: Kent Sullivan, Chair, represented by Mike Boerner (TX); Jillian Froment, Vice Chair, represented by Peter Weber (OH); Lori K. Wing-Heier represented by Gregory Campbell (AK); Jim L. Ridling represented by Steve Ostlund (AL); Ricardo Lara represented by Benjamin Bock, Rachel Hemphill and Perry Kupferman (CA); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Robert H. Muriel represented by Bruce Sartain (IL); Stephen W. Robertson represented by Karl Knable (IN); Steve Kelley represented by Fred Andersen and John Robinson (MN); Chlora Lindley-Myers represented by William Leung (MO); Marlene Caride represented by Seong-min Eom (NJ); Linda A. Lacewell represented by William Carmello and Amanda Fenwick (NY); Glen Mulready represented by Andy Schallhorn (OK); Todd E. Kiser represented by Tomasz Serbinowski (UT); and Scott A. White represented by Craig Chupp (VA).

1. Re-exposed APF 2019-27

William H. Wilton (Actuarial Resources Corporation) said his comment letter (Attachment One) on amendment proposal 2019-27 states that the edits to Section 4.D.4.c of VM-21, Requirements for Principle-Based Reserves for Variable Annuities, are confusing. He said the additional language and prescription is unnecessary. John Bruins (American Council of Life Insurers–ACLI) said the edits are unnecessary but the ACLI could live with the language as interim guidance as long as the Task Force agrees to review the issue for possible future language changes. Mr. Weber said the edits to Section 4.D.4.c are part of the VA Framework adopted by the Variable Annuity Issues (E) Working Group, and are not subject to change at this time. Mr. Wilton said his second comment relates to the guarantee actuarial present value (GAPV). Mr. Ostlund suggested capturing the proposed edits for later review but not considering them at this time. Alice Fontaine (Fontaine Consulting) said the guaranteed minimum death benefit (GMDB) lapse assumptions are tied to the Oliver–Wyman experience study which was based on the GAPV concept. She cautioned not to make changes before checking to see how the lapse assumptions are tied to other assumptions. Mr. Bruins said that when applying prescribed lapse rates, it is important that the development of the lapse rates and the definition of in-the-money be consistent. He said the lapse rates were developed knowing that in-the-money would be determined using a GAPV. He said that at this point a change cannot be made without reviewing the underlying data. Mr. Weber said the change will be deferred.

Mr. Bruins said that in addition to the ACLI comment letter (Attachment Two) addressing the issue of borrowing costs, it also addresses the definition of “total asset requirement” (TAR). He said the exposed edits define TAR as being focused on the stochastic calculations. He said similar edits were not made to C-3 Phase II. He recommended that, in order to keep reserves and the risk-based capital (RBC) synchronized, the edits to the definition of TAR should not be accepted. He said, instead edits should be made to sections 8D and 8E stating that, in demonstrating compliance with the requirement that TAR has not decreased, the company can focus only on the stochastic calculation. Mr. Bruins said the comment letter also provides:

- 1) a guidance note for section 4.A.1;
- 2) an additional sentence to the description of scenarios in section 6.B.6.b that clarifies that at each valuation date the values should be reset to the actual US Treasury rates so that the model will validate; and
- 3) a modification to section 9.C.2 to point to the requirements for the calculation of CTE70 (adjusted) in section 4.A.4 instead of listing those requirements in section 9.C.2.

Mr. Weber made a motion, seconded by Mr. Campbell, to re-expose proposal 2019-27 (Attachment Three), including the changes recommended in the ACLI comments, for a 10-day public comment period ending June 13. The motion passed unanimously.

2. Exposed Actuarial Guideline for Early Adoption of the VA Framework

Mr. Bruins said the Task Force has discussed the benefits of companies moving to the new VA Framework early. He said language providing such an option has been incorporated into the revisions of VM-21, C3-Phase II and Actuarial Guideline XLIII, CARVM for Variable Annuities. He said, because the revisions to VM-21 are not effective until January 1, 2020, a new actuarial guideline is being proposed to clarify that companies have the option to use the new framework for year-end 2019. He said the language of the guideline mirrors the language in VM-21.

Mr. Leung made a motion, seconded by Mr. Weber, to expose the actuarial guideline for early adoption of the VA Framework (Attachment Four) for a 30-day public comment period ending July 5. The motion passed unanimously.

3. Re-exposed APF 2019-46

Brian Bayerle (ACLI) said amendment proposal 2019-46 proposes to defer the collection of company experience data in the event the experience reporting agent suffers a security breach, or a material deficiency is identified during its annual review. He said the current language was developed in collaboration with the NAIC legal staff.

Mr. Robinson made a motion, seconded by Mr. Weber, to re-expose proposal 2019-46 (Attachment Five) for a 14-day public comment period ending June 18. The motion passed unanimously.

4. Re-exposed APF 2019-01

Mr. Bayerle said amendment proposal 2019-01 provides a certification method to be used in very limited circumstances to allow conversion products to avoid the deterministic exclusion test (DET) requirement. He said the certification would show that the additional reserves held due to the conversion are reasonably greater than what would be held if the deterministic reserve were calculated. Mr. Robinson suggested that the phrase “and reasonably exceed the value of a calculated deterministic reserve for this group of policies” from Section 3.C.13.g of VM-31, PBR Actuarial Report Requirements for Business Subject to a Principle-Based Valuation, be appended to Section 6.B.2.b of VM-20, Requirements for a Principle-Based Valuation for Life Products. In response to a suggestion by Mr. Ostlund that the wording should be clarified to show that calculation of the deterministic reserve is not required, Ms. Hemphill recommended changing the wording of the aforementioned phrase in both VM-20 and VM-31 to “and reasonably exceed the value of a deterministic reserve which otherwise would have been calculated for this group of policies.”

Mr. Robinson made a motion, seconded by Mr. Campbell, to re-expose amendment proposal 2019-01 (Attachment Six), including the changes to Section 6.B.2.b of VM-20 and 3.C.13.g of VM-31, for a 10-day public comment period ending June 14. The motion passed unanimously.

5. Adopted APF 2019-29

Mr. Bock made a motion, seconded by Mr. Weber, to adopt proposal 2019-29 (Attachment Seven). The motion passed unanimously.

6. Adopted APF 2019-53

Mr. Bock said amendment proposal 2019-53 was revised to take into account a one-time catastrophic event.

Mr. Campbell made a motion, seconded by Mr. Ostlund, to adopt proposal 2019-53 (Attachment Eight). The motion passed unanimously.

7. Adopted APF 2019-54

Pat Allison (NAIC) said amendment proposal 2019-54 adds reporting requirements to VM-31 for riders and supplemental benefits.

Mr. Ostlund made a motion, seconded by Mr. Robinson, to adopt proposal 2019-54 (Attachment Nine). The motion passed unanimously.

8. Discussed APF 2019-57

Mr. Bayerle said amendment proposal 2019-57 (Attachment Ten) proposes a mechanism to adjust the net premium reserve (NPR) when there is a reasonable expectation of higher mortality. He said the ACLI would like to restore the phrase “shall consider” in Section 3.C.1.g of VM-20. In previous discussions regulators preferred removing the word “consider.” Mr. Ostlund said, given that the language elsewhere in the section uses the term “materially exceeds,” he feels the use of the word “shall” is appropriate. Mr. Bayerle said in the case where the mortality “materially exceeds” the NPR mortality the company would more than likely calculate a deterministic reserve than to adjust the NPR. Mr. Bayerle said the ACLI would prefer to table the amendment rather than have it adopted without the word “consider.” Mr. Boerner said the Task Force will defer action on the amendment until the next call.

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

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Draft: 7/15/19

Life Actuarial (A) Task Force  
Conference Call  
May 30, 2019

The Life Actuarial (A) Task Force met via conference call May 30, 2019. The following Task Force members participated: Kent Sullivan, Chair, represented by Mike Boerner (TX); Jillian Froment, Vice Chair, represented by Peter Weber (OH); Lori K. Wing-Heier represented by Gregory Campbell (AK); Andrew N. Mais represented by Wanchin Chou and Michael Colburn (CT); Robert H. Muriel represented by Bruce Sartain (IL); Stephen W. Robertson represented by Karl Knable (IN); Steve Kelley represented by Fred Andersen and John Robinson (MN); Bruce R. Ramge represented by Rhonda Ahrens (NE); Marlene Caride represented by Seong-min Eom (NJ); John G Franchini represented by Mark Hendrick (NM); Linda A. Lacewell represented by William Carmello and Amanda Fenwick (NY); Glen Mulready represented by Andy Schallhorn (OK); and Todd E. Kiser represented by Tomasz Serbinowski (UT).

1. Adopted APF 2019-38

Ms. Ahrens said the application of the guaranteed issue (GI) mortality table adopted last year for GI valuation resulted in significantly higher deficiency reserves for some companies. She noted that the study that produced the GI mortality table did not consider deficiency reserves in its testing. She believes that a more principle-based approach to calculating GI reserves is the best path for the future. She said the immediate need to address the deficiency reserve issue led to the development of amendment proposal 2019-38, which proposes moving away from the 2017 Commissioners Standard Guaranteed Issue (CSGI) mortality table and reverting to the 2001 Commissioners Standard Ordinary (CSO) mortality table for GI valuation as a temporary solution. Ms. Ahrens agreed to lead a drafting group focusing on using a principle-based reserving (PBR) approach to developing a new GI table.

Mary Bahna-Nolan (Academy Life Experience Committee and SOA Preferred Mortality Project Oversight Group–Joint Committee) said the GI mortality table recommended by the Joint Committee had a loading similar to the loading on the 2017 CSO mortality table. She said the Joint Committee provided an initial analysis of reserves with various levels of loading. She said the deficiency reserves were not included because in the past they had never come into play for GI business. She discussed a new analysis (Attachment One) which included the previously analyzed reserves with various levels of loading and also included the impact of a cash value floor and deficiency reserves. She pointed out that the reserves with a 75% load were significantly higher than the reserves generated by the GI table with a lower load originally recommended by the Joint Committee. She also pointed out that, while the deficiency reserves are quite substantial, the cash value floor had very little impact. She said that while the 75% load might be punitive, the Joint Committee is concerned about reverting to the 2001 CSO because of the difference in the patterns of the mortality and the reserves. She said the Joint Committee recommends that, if the decision is made to revert to the 2001 CSO, a new GI table should be developed expeditiously and companies selling GI business should be required to perform stand-alone asset adequacy testing using GI mortality that is consistent with their own GI mortality experience. She said alternatively the companies could provide a demonstration that the 2001 CSO table is appropriate for their book of business or provide a demonstration that the GI business is not material. She added that the valuation manual should be updated to require the inclusion of data elements for GI business in the mandatory data call. She said the Academy would be happy to provide the amendment proposal for that requirement. Mr. Andersen asked how the proposal and recommendations address the issue of the mortality experience of agent solicited GI business differing from the mortality experience of direct marketed GI business. Ms. Bahna-Nolan responded that the recommendation requires that the company's own experience, reflecting its marketing practices, be used to perform its asset adequacy testing. She said the additional data elements proposed for inclusion in the valuation manual should help better distinguish the business by marketing type.

Mr. Colburn said moving away from the 2017 CSGI table will produce reserve inadequacies. He said the Connecticut Insurance Department comment letter (Attachment Two) advocates continuing with the GI basic table and reducing the loading applicable to the CSGI table to a lower percentage.

Brian Bayerle (American Council of Life Insurers–ACLI) said the ACLI comment letter (Attachment Three) provides a sample model office which highlights the deficiency reserve problem. He said one observation is that companies with better experience, as identified by lower premiums, are generating substantial deficiency reserves and companies with higher premiums have deficiency reserves that are inconsequential. He says the ACLI's view is that companies with better experience should not be penalized by having to post higher deficiency reserves. He said another observation is that, because

guaranteed issue business is primarily whole life, the nonforfeiture benefits are important. He noted that the severity of the 75% load reduces the amounts available for the extended term and reduced paid up options. He said the ACLI favors reverting to the 2001 CSO until a more principle-based approach to GI reserves can be developed.

Ms. Ahrens made a motion, seconded by Mr. Serbinowski, to adopt proposal 2019-38 (Attachment Four). The motion passed with opposition from Mr. Chou.

2. Adopted APF 2019-52

Ms. Hemphill said the amendment proposal addresses recommendation #5 of the Valuation Analysis (E) Working Group's memorandum titled "PBR Recommendations and Referrals to LATF," which requires a more appropriate standard for selecting material risks. She said several edits in the initial exposure of the amendment proposal have been removed.

Ms. Hemphill made a motion, seconded by Mr. Campbell, to adopt proposal 2019-52 (Attachment Five). The motion passed unanimously.

3. Re-exposed APF 2019-36

Mr. Bayerle said 2018 revisions to VM-22 included a change to the Annuities subsection of Section II – Reserve Requirements, that clarifies that, for certain products, VM-22, Statutory Maximum Valuation Interest Rate for Income Annuities, is applicable for determination of the maximum valuation interest rates. He said the initial version of amendment proposal 2019–36 unsuccessfully attempted to apply the same change to the Deposit-Type Contract subsection of Section II. He said the current version of the amendment proposal is edited to properly address the valuation requirements for deposit-type contracts.

Mr. Campbell made a motion, seconded by Mr. Robinson, to expose amendment proposal 2019-36 (Attachment Five) for a 7-day public comment period ending June 7. The motion passed unanimously.

4. Adopted APF 2018-45

David Neve (American Academy of Actuaries–Academy) said when the Task Force previously discussed amendment proposal 2018-45 and the accompanying comments members asked for additional time to consider the proposal. He said the proposal provides two options for adjusting company mortality experience when that experience is worse than the industry table. The first option allows for the adjustment at an individual segment level and the second option allows for aggregation up to the underwriting level. He said the Academy Life Reinsurance Work Group (LRWG) supports the second option, which is a compromise from an earlier version of the proposal. Mr. Bayerle said the ACLI supports the second option. Mr. Carmello voiced his support for the first option.

Pat Allison (NAIC) noted that some of the language in the proposal would necessitate updates to previously adopted amendment proposal 2019-16.

Ms. Carmello made a motion, seconded by Ms. Hemphill, to adopt the first option of amendment proposal 2018-45 (Attachment Five). The motion passed with opposition from Mr. Chupp, Ms. Eom and Mr. Sartain.

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

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Draft: 7/15/19

Life Actuarial (A) Task Force  
Conference Call  
May 23, 2019

The Life Actuarial (A) Task Force met via conference call May 23, 2019. The following Task Force members participated: Kent Sullivan, Chair, represented by Mike Boerner (TX); Jillian Froment, Vice Chair, represented by Peter Weber (OH); Lori K. Wing-Heier represented by Gregory Campbell (AK); Jim L. Ridling represented by Steve Ostlund (AL); Ricardo Lara represented by Rachel Hemphill and Perry Kupferman (CA); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Robert H. Muriel represented by Bruce Sartain (IL); Stephen W. Robertson represented by Karl Knable (IN); 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. Ramge represented by Rhonda Ahrens (NE); Marlene Caride represented by Seong-min Eom (NJ); John G Franchini represented by Mark Hendrick (NM); Linda A. Lacewell represented by William Carmello and Amanda Fenwick (NY); Glen Mulready represented by Andy Schallhorn (OK); Todd E. Kiser represented by Tomasz Serbinowski (UT); and Scott A. White represented by Craig Chupp (VA).

1. Deemed APF 2019-55 Nonsubstantive

Mr. Boerner said amendment proposal 2019-55 was exposed for 14 days on the May 16 Task Force conference call. Reggie Mazyck (NAIC) said, while clearly considering the proposal nonsubstantive at that time, the Task Force did not vote to deem it nonsubstantive as required by the Valuation Manual for any exposure that is less than 21 days. He said a retroactive vote would be in line with the intent of the Task Force.

Mr. Ostlund made a motion, seconded by Mr. Campbell, to retroactively deem amendment proposal 2019-55 nonsubstantive. The motion passed unanimously.

2. Re-exposed APF 2019-39

Mr. Boerner said the comment letter (Attachment One) from Sheldon Summers (Claire Thinking, Inc.) discusses the applicability of the accounting requirements in SSAP 61R and Appendix A-791 of the Accounting Practices and Procedures Manual (APPM) to the principle-based reserving (PBR) reinsurance reserve credit. He said Section 8.B.1 of VM-20, Requirements for Principle-Based Reserves for Life Products, specifically references SSAP 61R for the determination of the reinsurance reserve credit. He said the Valuation Manual addresses reserves but does not override accounting requirements. Mr. Summers said the accounting requirements are intended to limit the amount of surplus relief provided by the YRT reinsurance agreement. Mr. Boerner said more discussion on the accounting requirements will be forthcoming.

Amy Eby (Lincoln Financial Group) said the Lincoln Financial Group is proposing amendment proposal 2019-40 (Attachment Two) as an interim solution to the YRT reinsurance reserve. She said the proposal is supported by a coalition of eight companies. She said amendment proposal 2019-42, proposed by three of the eight companies, has been coalesced into amendment proposal 2019-40. She said the group believes the proposal complements the existing PBR framework and adds guardrails to the requirements of the Valuation Manual. Mr. Jakielo said the comment letter (Attachment Three) submitted by the Connecticut Insurance Department (CID) indicates its bias for the principle-based approach presented in proposal 2019-40. He said the only aspect of the CID comment missing in the proposal is whether enough constraints are being applied to reinsurer assumptions. Mr. Jakielo noted that the comment letter also gives credence to the accounting issues raised by Mr. Summers and agrees that a principle-based approach would be subject to the accounting requirements. Ms. Hemphill said the requirements of the proposal need to be clearer. Ms. Eby said the proposal adds requirements that link the reinsurance assumption and the mortality assumption in the modeled reserve and requires documentation of those assumptions. Ms. Ahrens said she feels the solution lies in improved documentation as opposed to more prescription. Ms. Fenwick asked how the proposal would comply with Section 8.A.3 of VM-20, which requires compliance with the APPM. Ms. Eby responded that the proposal does not change VM-20 materially. She said if the language currently in VM-20 does not violate the APPM, then nor will the proposed language. She believes the review of the accounting requirements and the consideration of the proposal can move forward simultaneously. Ms. Fenwick said adoption of any amendment proposal that does not address the accounting issue will be perceived as allowing companies to continue their current practices. Mr. Boerner said any proposal that is adopted would be subject to the accounting requirements. Mr. Sartain said the proposal sounds like a long-term solution that, given the current concerns, would only complicate the issue.

Dave Neve (Global Atlantic) said amendment proposal 2019-41 (Attachment Four) is a simple, principle-based approach that eliminates the wide range of interpretations used when coming up with margins for YRT reinsurance premiums. He said the approach does not require the calculation of a margin on the reinsurance premium and the claim settlement by using the best estimate assumption for the reinsurance premium and the claim settlement instead.

Ms. Hemphill said amendment proposal 2019-39 is intended as an interim solution that addresses the divergent interpretations that yielded problematic assumptions observed during the Valuation Analysis (E) Working Group review process. The proposal uses a reserve credit that is limited to  $\frac{1}{2} c_x$ . She said it provides clear guidance for the companies while a field test is conducted to develop a good long-term solution. She said it also isolates the interpretation problem to the companies currently doing PBR. Mr. Boerner said adding a three-year carveout to this proposal for 2017 through 2019 issues could also be considered. He noted that a permanent solution would apply to all policies issued in 2017 and later. Ms. Hemphill said carveout language can be added to the proposal that for the interim will allow companies the option to use  $\frac{1}{2} c_x$  for policies issued during the carveout period. Ben Slutsker (New York Life) said the New York Life comment letter (Attachment Five) supports proposal 2019-39 as an interim solution. He said they would like to see a long-term solution is principle-based and anticipates field testing will yield such a solution. He said New York Life sees a fundamental structural inconsistency in VM-20 due to the restriction of mortality improvement on pre-reinsurance cash flows without there being a similar restriction on reinsurance cash flows. He said this allows companies to use reinsurance to avoid the mortality improvement margin. Sharon Brody (Prudential) said the coalition of companies' comment letter voices their concern that the  $\frac{1}{2} c_x$  approach is outdated and it would be unfortunate to set a precedent using that approach even for the interim. She said it could lead to market disruption that could hurt consumers.

Ms. Hemphill made a motion, seconded by Mr. Sartain, to re-expose proposal 2019-39 (Attachment Six), including carveout language and changing applicable margin to applicable provision, for a 7-day public comment period ending May 29. The motion passed unanimously.

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

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Draft: 7/17/19

Life Actuarial (A) Task Force  
Conference Call  
May 21, 2019

The Life Actuarial (A) Task Force met via conference call May 21, 2019. The following Task Force members participated: Kent Sullivan, Chair, represented by Mike Boerner (TX); Jillian Froment, Vice Chair, represented by Peter Weber (OH); Lori K. Wing-Heier represented by Greg Campbell (AK); Ricardo Lara represented by Rachel Hemphill and Perry Kupferman (CA); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Robert H. Muriel represented by Bruce Sartain (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); Marlene Caride represented by Seong-min Eom (NJ); Linda A. Lacewell represented by Bill Carmello and Amanda Fenwick (NY); Glen Mulready represented by Andrew Schallhorn (OK); Todd E. Kiser represented by Tomasz Serbinowski (UT); and Scott A. White represented by Craig Chupp (VA).

1. Adopted Amendment Proposal 2019-14

Pat Allison (NAIC) said the amendment proposal addresses recommendation #1 of the Valuation Analysis (E) Working Group’s memorandum titled “PBR Recommendations and Referrals to LATF,” which recommends adding a requirement for the retention of governance documentation.

Ms. Hemphill made a motion, seconded by Mr. Leung, to adopt amendment proposal 2019-14 (Attachment One). The motion passed unanimously.

2. Adopted Amendment Proposal 2019-44

Ms. Allison (NAIC) said the amendment proposal addresses recommendations #3 and #4 of the Valuation Analysis (E) Working Group’s memorandum titled “PBR Recommendations and Referrals to LATF,” which recommend potential ways to convey information more efficiently and effectively, including the use of tables or spreadsheets. She said the amendment proposal provides two templates to facilitate the recommendation. She said the language in the amendment proposal has been changed in response to comments from Donna Megregian (American Academy of Actuaries—Academy) and others expressing concern with template B. Ms. Allison said Section 3.B.3.b will be deleted, and template B will become optional. Leonard Mangini (Academy) said the Academy has suggestions on how to improve template B, which will be submitted to the Task Force when it is determined which Academy group will lead the effort.

Mr. Campbell made a motion, seconded by Ms. Hemphill, to adopt amendment proposal 2019-44 (Attachment Two). The motion passed unanimously.

3. Adopted Amendment Proposal 2019-06

Ms. Hemphill said the amendment proposal addresses recommendations #20 and #21 of the Valuation Analysis (E) Working Group’s memorandum titled “PBR Recommendations and Referrals to LATF,” which recommend asking for information on expenses, including whether they are fully allocated, how commission acquisition expenses are handled and a description of the spreading of costs.

Ms. Hemphill made a motion, seconded by Mr. Campbell, to adopt amendment proposal 2019-06 (Attachment Three). The motion passed unanimously.

4. Adopted Amendment Proposal 2019-23

Ms. Hemphill said the amendment proposal asks for list of detailed assumptions. A spreadsheet example is provided for convenience. She said that template is also provided to assist in the reporting of company experience.

Ms. Hemphill made a motion, seconded by Mr. Leung, to adopt amendment proposal 2019-23 (Attachment Four), including the editorial change of Product Group to VM-20 Reserving Category. The motion passed unanimously.

5. Re-Exposed Amendment Proposal 2019-29

Mr. Boerner said a friendly amendment was added to the amendment proposal. Ms. Hemphill said the friendly amendment provides alternative wording that clarifies the sentence without changing its intent. Mr. Mangini said the Academy has no issues with the alternative wording.

Ms. Hemphill made a motion, seconded by Mr. Campbell, to expose amendment proposal 2019-28 (Attachment Five) for a 7-day public comment period ending June 3. The motion passed unanimously.

6. Adopted Amendment Proposal 2019-43

Ms. Hemphill said the amendment proposal addresses recommendation #32 of the Valuation Analysis (E) Working Group's memorandum titled "PBR Recommendations and Referrals to LATF," which relates to issues with the due and deferred premium calculation and the net premium reserve (NPR) floor. She said because the new NPR methodology defines the valuation net premium as zero in the first year, the due and deferred premium should be zero in the first year.

Ms. Hemphill said there were some companies that did not use  $\frac{1}{2} c_x$  as the NPR floor. She said for consistency and simplicity, the amendment proposes requiring setting the NPR floor at  $\frac{1}{2} c_x$ .

Brian Bayerle (American Council of Life Insurers—ACLI) said the ACLI comment letter (Attachment Six) expresses their belief that the amendment proposal is unnecessary and may have unintended consequences. He said the proposal fosters unequal treatment based on premium mode. He pointed out that a monthly premium policy would set up a substantial reserve in the first month, which will affect earnings negatively. He said that issue does not occur for a policy on an annual premium mode. Mr. Campbell suggested changing the wording to exclude application of the changes to the first year. Ms. Hemphill said that could be done by removing the edits to the first sentence of Section 3.D.1.a.

Ms. Hemphill made a motion, seconded by Mr. Carmello, to expose amendment proposal 2019-43 (Attachment Seven), after restoring the first sentence of Section 3.D.1.a. The motion passed unanimously.

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

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Draft: 6/20/19

Life Actuarial (A) Task Force  
Conference Call  
May 16, 2019

The Life Actuarial (A) Task Force met via conference call May 16, 2019. The following Task Force members participated: Kent Sullivan, Chair, represented by Mike Boerner (TX); Jillian Froment, Vice Chair, represented by Peter Weber (OH); Lori K. Wing-Heier represented by Greg Campbell (AK); Jim L. Ridling represented by Steve Ostlund (AL); Ricardo Lara represented by Rachel Hemphill, Perry Kupferman and Elaine Lam (CA); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Stephen W. Robertson represented by Karl Knable (IN); Steve Kelley 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 Seong-min Eom (NJ); Linda A. Lacewell represented by Bill Carmello and Amanda Fenwick (NY); Glen Mulready represented by Andrew Schallhorn (OK); Todd E. Kiser represented by Tomasz Serbinowski (UT); and Scott A. White represented by Craig Chupp (VA).

1. Re-Exposed Amendment Proposal 2019-28

John Bruins (American Council of Life Insurers—ACLI) discussed the changes recommended in the ACLI comment letter (Attachment One). Ms. Lam agreed to incorporate the changes into the VM-31 revisions in amendment proposal 2019-28. She noted that revisions from other Task Force adopted amendment proposals relating to changes recommended by the Valuation Analysis (E) Working Group are also incorporated into the revised amendment proposal.

Ms. Lam made a motion, seconded by Mr. Campbell, to expose amendment proposal 2019-28 (Attachment Two) for a 14-day public comment period ending June 3. The motion passed unanimously.

2. Re-Exposed AG 43, Amendment Proposal 2019-26, Amendment Proposal 2019-27 and Amendment Proposal 2019-55

Mr. Weber said the comments (Attachment Three) submitted by Pat Allison (NAIC) will be incorporated into the new exposure draft of *Actuarial Guideline XLIII, CARVM for Variable Annuities* (AG 43).

Mr. Weber said the ACLI comments (Attachment Four) on VM-01, Definitions for Terms in Requirements, will be incorporated into the new exposure of amendment proposal 2019-26. He said the changes were minor except for the change to the definition of the term “clearly defined hedging strategy (CDHS),” which will be considered in the discussion of changes to, VM-21, Requirements for Principle-Based Reserves for Variable Annuities, in amendment proposal 2019-27.

Mr. Bruins said the ACLI comment letter on amendment proposal 2019-45 (Attachment Five) addresses the question on the credibility of Ruark Consulting study data at the older ages that was raised during the previous discussion of amendment proposal 2019-45. He said the ACLI comment letter compares data in the Ruark study to data in the 2000–2004 Society of Actuaries (SOA) study. He said the Ruark study has significantly more data than the SOA study and is appropriate for use in the development of mortality improvement factors. He said, in response to the question about the older age data, the amendment proposal modifies the grading at the ages 95–105. Mr. Weber said the SOA is working on a new study that will be available in the fall. Mr. Bruins said the new SOA study will be considered for the 2021 *Valuation Manual*. He noted that the amendment proposal also provides support for improvement on mortality applied to guaranteed minimum death benefits (GMDBs).

Mr. Bruins said the amendment proposal recommends changes to the Alternative Method to allow modification of the GC factors to reflect the new mortality basis in VM-21 Section 11.C for products without variable annuities with living benefits (VAGLBs). He said the proposal also requests a modification to Section 11.A.3 to remove language limiting a company to specific business segments when developing prudent estimates, which might not recognize that the company’s credible experience may indicate variance based on other attributes.

Mr. Bruins said the ACLI comment letter on amendment proposal 2019-48 (Attachment Five) recommends removing the limitation on borrowing costs because it is a formulaic guardrail that may cause significant work to demonstrate compliance. He said the ACLI believes that enhancing the existing principle-based limitation would be more effective. He said the comment letter suggests the Task Force consider modifications to the borrowing costs requirements and the accompanying guidance note.

Mr. Weber said proposed edits to VM-21 have been incorporated into amendment proposal 2019-27. He said the edits include a revision to the definition of CDHS, which moves the definition to VM-01 but retains in VM-21 the principles and the list of items the CDHS must identify. He noted that the CDHS definition in VM-20, Requirements for Principle-Based Reserves for Life Products, will be handled in a similar manner in amendment proposal 2019-55. He also noted that documentation requirements, currently in VM-21, are being moved to VM-31.

Mr. Ostlund made a motion, seconded by Mr. Leung, to expose AG 43 (Attachment Six), amendment proposal 2019-26 (Attachment Seven), amendment proposal 2019-27 (Attachment Eight) incorporating the changes in amendment proposals 2019-45 and 2019-48, and amendment proposal 2019-55 (Attachment) for a 14-day public comment period ending June 3. The motion passed unanimously.

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

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Draft: 7/17/19

Life Actuarial (A) Task Force  
Conference Call  
May 14, 2019

The Life Actuarial (A) Task Force met via conference call May 14, 2019. The following Task Force members participated: Kent Sullivan, Chair, represented by Mike Boerner (TX); Jillian Froment, Vice Chair, represented by Peter Weber (OH); Jim L. Ridling represented by Steve Ostlund (AL); Ricardo Lara represented by Ben Bock, Elaine Lam and Perry Kupferman (CA); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Robert H. Muriel represented by Bruce Sartain (IL); Stephen W. Robertson represented by Karl Knable (IN); 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); Marlene Caride represented by Seong-min Eom (NJ); John G. Franchini represented by Mark Hendrick (NM); Linda A. Lacewell represented by Bill Carmello and Amanda Fenwick (NY); Todd E. Kiser represented by Tomasz Serbinowski (UT); and Scott A. White represented by Craig Chupp (VA).

1. Adopted Amendment Proposal 2019-37

Mr. Robinson said his comment letter (Attachment One) opposes the amendment proposal because policies should not be able to avoid principle-based reserve (PBR) governance requirements, even under limited set of circumstances, by passing the exclusion tests. Brian Bayerle (American Council of Life Insurers—ACLI) said earlier versions of the *Valuation Manual* contained a broad statement that a group of policies requiring neither a stochastic nor deterministic reserve calculation is not subject to a principle-based valuation. He said the amendment proposal applies that concept to companies that would be required under limited circumstances to use VM-20, Requirements for Principle-Based Reserves for Life Products. He noted that a monitoring process will be in place to capture companies that might not pass an exclusion test in subsequent years.

Mr. Ostlund made a motion, seconded by Mr. Leung, to adopt amendment proposal 2019-37 (Attachment Two). The motion passed, with Mr. Robinson and Mr. Chupp opposed.

2. Discussed Amendment Proposal 2019-45

Mr. Bayerle said the ACLI comment letter (Attachment Three) opposes amendment proposal 2019-45 (Attachment Four) because regardless of how much credibility a block of business has, the credibility will be used against you when looking at the overall level of experience. He said it is counterintuitive to require grading to an industry table to account for the lack of credibility and then grading to the limited experience, which required grading to the industry table in the first place. He said it is problematic to be grading to a worse outcome based on data that is not credible.

Philip Wunderlich (Nationwide Financial) said the Nationwide comment letter (Attachment Five) states that companies should not be required to grade to a level of mortality that is worse than what it believes will occur. He said they would prefer to look at mortality on an aggregate level to ensure that type of grading does not occur. He said Nationwide prefers option 2 because it addresses the issue at an aggregate level.

Dave Neve (American Academy of Actuaries—Academy) said when using company experience rates, those rates are the company-anticipated experience assumptions before adding margins. He said that once you establish your best estimate assumptions based on your experience, grading down to an improved set of mortality rates that are better than your expectations seems counter to the purpose of the VM-20 requirements. He said the Academy Life Reserves Work Group agrees that the assessment should be done using an aggregate approach of option 2. Ms. Lam said the California Department of Insurance (DOI) prefers the more granular approach of option 1. She said option one is more conservative because the mortality assumption is done at a mortality segment level and mortality segments can be aggregated for credibility, which allows all of the mortality segments within an aggregate class to have the same credibility while having different underlying mortality. Mr. Neve said the purpose of the proposal is to prevent a negative margin. He said choosing option 1 would add more conservatism to the mortality assumption, which is outside the purpose of the proposal. Mr. Bayerle said the ACLI supports option 2, which was originally offered as a compromise because the original proposal was at the full aggregation level. The Task Force requested deferral of action on the proposal two allow more time for discussion.

3. Adopted Amendment Proposal 2018-53

Mr. Bock said the amendment was changed to replace the term “company investment strategy” with “modeled company investment strategy” and to transfer the responsibility for certifying the alternative strategy reflecting the appropriate mix of assets and appropriate maturity lengths from the investment officer to the qualified actuary.

Mr. Bock made a motion, seconded by Mr. Leung, to adopt amendment proposal 2018-53 (Attachment Six). The motion passed unanimously.

4. Adopted Amendment Proposal 2018-56

Mr. Leung made a motion, seconded by Mr. Chou, to adopt amendment proposal 2018-56 (Attachment Seven). The motion passed unanimously.

5. Discussed Amendment Proposal 2019-36

Mr. Bayerle said the amendment proposal clarifies that certain deposit-type contracts are within the scope of the requirements for VM-22, Maximum Valuation Interest Rates for Income Annuities. Mr. Carmello said the proposal is currently written in a manner that includes all deposit-type contracts. He said only deposit-type contracts within the scope of VM-22 should be included. Mr. Bayerle said the ACLI will revise the amendment proposal.

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

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Draft: 7/24/19

Life Actuarial (A) Task Force  
Conference Call  
May 9, 2019

The Life Actuarial (A) Task Force met via conference call May 9, 2019. The following Task Force members participated: Kent Sullivan, Chair, represented by Mike Boerner (TX); Jillian Froment, Vice Chair, represented by Peter Weber (OH); Lori K. Wing-Heier represented by Greg Campbell (AK); Jim L. Ridling represented by Steve Ostlund (AL); Ricardo Lara represented by Rachel Hemphill and Perry Kupferman (CA); Andrew N. Mais represented by Wanchin Chou (CT); Robert H. Muriel represented by Bruce Sartain (IL); Stephen W. Robertson represented by Karl Knable (IN); 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. Ramage represented by Rhonda Ahrens (NE); Marlene Caride represented by Seong-min Eom (NJ); John G. Franchini represented by Mark Hendrick (NM); Linda A. Laceywell represented by Bill Carmello and Amanda Fenwick (NY); Glen Mulready represented by Andrew Schallhorn (OK); Todd E. Kiser represented by Tomasz Serbinowski (UT); and Scott A. White represented by Craig Chupp (VA).

1. Exposed Amendment Proposal 2019-54

Pat Allison (NAIC) said amendment proposal 2019-54 addresses recommendations #2 of the Valuation Analysis (E) Working Group's memorandum titled "PBR Recommendations and Referrals to LATF," which requires companies to provide a description of all riders and supplemental benefits, including the reserve approach used, whether the rider was valued separately or as part of the base policy, and whether there is a separate premium.

Mr. Ostlund made a motion, seconded by Mr. Campbell, to expose amendment proposal 2019-54 (Attachment One) for a 21-day public comment period ending May 30. The motion passed unanimously.

2. Exposed Amendment Proposal 2018-46

Ms. Hemphill said amendment proposal 2018-46 clarifies the definition of "term life insurance policy." She said the proposal was initially exposed in January and has been revised to indicate that: 1) premiums are per thousand of insurance; 2) the policies will never develop nonforfeiture values; and 3) "level period" refers to a level premium period.

Ms. Hemphill made a motion, seconded by Mr. Campbell, to expose amendment proposal 2019-46 (Attachment Two) for a 14-day public comment period ending May 23. The motion passed unanimously.

3. Re-Exposed Amendment Proposal 2019-31

Mr. Boerner said amendment proposal 2019-31 provides edits to the life principle-based reserves (PBR) exemption, applied to previously adopted amendment proposal 2018-08. He said the edits remove the condition for a nonqualified actuarial opinion and provide the domiciliary commissioner greater flexibility in applying PBR to the ordinary life business for which an exemption is requested. Mr. Robinson asked on what basis the commissioner might reject the exemption request. Mr. Boerner said an example might be if the company has a line of business with which the commissioner is not comfortable. He said that such a rejection is consistent with the current wording of the *Valuation Manual*. He noted that this particular wording would allow the commissioner to reject exemption for a portion of the ordinary life business subject to PBR without completely rejecting the entire block of business included in the statement of exemption.

Mr. Campbell made a motion, seconded by Mr. Leung, to expose amendment proposal 2019-31 (Attachment Three) for a 14-day public comment period ending May 23. The motion passed unanimously.

4. Exposed Amendment Proposal 2019-53

Ms. Hemphill said amendment proposal 2019-53 clarifies the permitted types of smoothing. She said the proposal is in response to concerns arising from the adoption of amendment 2018-42.

Ms. Hemphill made a motion, seconded by Mr. Carmello, to expose amendment proposal 2019-53 (Attachment Four) for a 21-day public comment period ending May 30. The motion passed unanimously.

5. Exposed Amendment Proposal 2019-01

Brian Bayerle (American Council of Life Insurers—ACLI) said amendment proposal 2019-01 proposes a certification to be used in limited circumstances for a block of business converted to a product other than term life, variable life or universal life with a material secondary guarantee (ULSG). The certification would allow the converted business to avoid the deterministic exclusion test (DET) when the total reserve for the policy reflects the additional anticipated mortality. Ms. Hemphill asked if indexed life should be included in the list of post-conversion products to which the certification would not apply. Mr. Bayerle said that if appropriate, the ACLI would consider adding it to the list. Ms. Hemphill asked if the ACLI has considered what information should be included in the certification and if it has considered a limit on the number of policies above which the certification would not be applicable. Arnold Dicke (AA Dicke) suggested that the use of the term “total reserve” should also be clarified.

Ms. Hemphill made a motion, seconded by Mr. Weber, to expose amendment proposal 2019-01 (Attachment Five), after adding indexed life to the list of policies for which the certification is not allowed, for a 21-day public comment period ending May 30. The motion passed unanimously.

6. Adopted Amendment Proposal 2019-21

Ms. Hemphill said amendment proposal 2019-21 proposes adding the “as of” date of the 2008 Valuation Basic Table (VBT) as the starting date for mortality improvement.

Ms. Hemphill made a motion, seconded by Mr. Ostlund, to adopt amendment proposal 2019-21 (Attachment Six). The motion passed unanimously.

7. Adopted Amendment Proposal 2019-22

Ms. Hemphill said amendment proposal 2019-22 clarifies that the policyholder option elections a company should subject to modeling are those with an element of antiselection.

Ms. Hemphill made a motion, seconded by Mr. Campbell, to adopt amendment proposal 2019-22 (Attachment Seven). The motion passed unanimously.

8. Adopted Amendment Proposal 2019-19

Ms. Hemphill said amendment proposal 2019-19 clarifies the guidance note in VM-20, Requirements for Principle-Based Reserves for Life Products, Section 9.E.1.b.

Amendment proposal 2019-35 clarifies the documentation required to indicate whether a reinsurance agreement involves a captive.

Ms. Hemphill made a motion, seconded by Mr. Ostlund, to adopt amendment proposal 2019-19 (Attachment Eight). The motion passed unanimously.

9. Adopted Amendment Proposal 2019-35

Ms. Hemphill made a motion, seconded by Mr. Chou, to adopt amendment proposal 2019-35 (Attachment Nine) with the alternative language. The motion passed unanimously.

10. Adopted Amendment Proposal 2019-07

Ms. Allison said amendment proposal 2019-07 proposes disclosures related to the percentage of impaired lives, whether impaired lives were included in the mortality study and whether the mortality study was adjusted for impaired lives or policyholder behavior. She said if an adjustment were made, the rationale should also be provided. Mr. Ostlund suggested changing “business that is impaired” to “business on impaired lives.”

Ms. Hemphill made a motion, seconded by Mr. Ostlund, to adopt amendment proposal 2019-07 (Attachment Ten), including Mr. Ostlund's suggested change. The motion passed unanimously.

11. Adopted Amendment Proposal 2019-55

Ms. Hemphill said amendment proposal 2019-55 changes the term "product group" to "VM-20 reserving category."

Ms. Hemphill made a motion, seconded by Mr. Weber, to adopt amendment proposal 2019-55 (Attachment Eleven). The motion passed unanimously.

12. Adopted Amendment Proposal 2019-32

Mr. Boerner said amendment proposal 2019-32 proposes making best efforts to allocate the excess of the stochastic or deterministic reserve over the net premium reserve (NPR) to business that generated this excess, instead of requiring the allocation of the excess in proportion to the NPR.

Mr. Campbell made a motion, seconded by Mr. Ostlund, to adopt amendment proposal 2019-32 (Attachment Twelve). The motion passed unanimously.

13. Adopted Amendment Proposal 2019-11

Mr. Bayerle said the ACLI comment letter (Attachment Thirteen) expresses concerns about the codification of the seriatim requirement for post-level term testing. He said the disallowance of post-level term profits was intended to be a stopgap measure and was never intended to be a policy-by-policy calculation of profits expected to emerge. He said the process is computationally burdensome because valuation systems are not designed to handle the calculation. Mr. Bayerle noted that there is also a question of how to determine the discount rate. Ms. Hemphill said although some companies and software vendors did not recognize the requirement for the seriatim process, they were able to adjust their calculations to accommodate the requirement once they were informed. She said the offsetting of post-level term profits and losses, which would occur if the calculation was done in the aggregate, was never intended.

The ACLI comment letter also expressed concern about the incorrect explanation provided by the parenthetical phrases in the VM-20, Section 9.D.3.e guidance note. Ms. Hemphill agreed to remove the parenthetical phrases.

Ms. Hemphill made a motion, seconded by Mr. Andersen, to adopt amendment proposal 2019-11 (Attachment Fourteen), with the parenthetical phrases removed from the guidance note. The motion passed unanimously.

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

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Draft: 7/17/19

Life Actuarial (A) Task Force  
Conference Call  
May 7, 2019

The Life Actuarial (A) Task Force met via conference call May 7, 2019. The following Task Force members participated: Kent Sullivan, Chair, represented by Mike Boerner (TX); Jillian Froment, Vice Chair, represented by Peter Weber (OH); Lori K. Wing-Heier represented by Greg Campbell (AK); Jim L. Ridling represented by Steve Ostlund (AL); Ricardo Lara represented by Rachel Hemphill, Perry Kupferman and Elaine Lam (CA); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Robert H. Muriel represented by Bruce Sartain (IL); Bruce R. Ramage represented by Rhonda Ahrens (NE); 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); Marlene Caride represented by Seong-min Eom (NJ); John G. Franchini represented by Mark Hendrick (NM); Linda A. Lacewell represented by Bill Carmello and Amanda Fenwick (NY); Glen Mulready represented by Andrew Schallhorn (OK); Todd E. Kiser represented by Tomasz Serbinowski (UT); and Scott A. White represented by Craig Chupp (VA).

1. Re-Exposed Amendment Proposal 2019-28

Ms. Lam said the amendment proposal was originally exposed on March 7. She said the proposal revises the disclosure requirements for variable annuities. She said the proposal cleans up VM-31, PBR Actuarial Report Requirements for Business Subject to a Principle-Based Reserve Valuation, by making editorial changes, correcting reference errors and incorporating the suggestions received from comments. She noted that the proposal also provides corrections to references in VM-G, Appendix G – Corporate Governance Guidance for Principle-Based Reserves.

Mr. Weber made a motion, seconded by Mr. Campbell, to expose amendment proposal 2019-28 (Attachment One) for a 7-day public comment period ending May 14. The motion passed unanimously.

2. Discussed Edits to VM-21

Mr. Robinson discussed proposed edits to VM-21, Requirements for Principle-Based Reserves for Variable Annuities. His first proposal recommended replacing the term “stochastic reserve” with “CTE Amount” in various places to be determined on a case-by-case basis. The Task Force decided not to make such a change without doing a more through review of the impact of the revised terminology.

Mr. Robinson’s second proposal reviewing VM-21 is to ensure that the term “aggregate reserve” is consistently used in a manner that reflects its inclusion of the alternative methodology. He suggested replacing footnotes with guidance notes, moving the formulas for the stochastic reserve from Section 9 to Section 3, and clarifying the role of the pre-tax interest maintenance reserve (PIMR) in the guidance for starting assets. He also proposed several other moves that are listed in his comment letter (Attachment Two). Mr. Weber said items #2, #3, #4 and #5 will be incorporated into the VM-21 edits.

Pat Allison (NAIC) discussed her comments and proposed edits to VM-21, which include questioning whether the definition of “clearly defined hedging strategy”—currently in VM-01, Definitions for Terms in Requirements, VM-20, Requirements for Principle-Based Reserves for Life Products, and VM-21—should be moved to a single place. Mr. Weber said the Variable Annuities Capital and Reserve (E/A) Subgroup decided against having a single definition in VM-01 applicable to all products because the Working Group could not agree on a single definition that met the criteria for both life products and variable annuities.

Ms. Allison pointed out that there seems to be an inconsistency in the VM-21 definition of “cash surrender value” as to whether the market value adjustment should be reflected. John Bruins (American Council of Life Insurers—ACLI) said if the cash surrender value is used as part of the cash flow in the modeling, the market value adjustment must be applied. He said if the cash surrender value is being used as a floor, the market value adjustment should not be applied. Mr. Weber said a guidance note should be added. Ms. Allison proposed adding clarifying language to Section 6.A.1. Mr. Weber said the clarifying language is acceptable. Ms. Allison also suggested a few other clarifying changes and editorial changes in her comment letter (Attachment Three).

Having no further business, the Life Actuarial (A) Task Force adjourned.  
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Draft: 7/23/19

Life Actuarial (A) Task Force  
Conference Call  
May 2, 2019

The Life Actuarial (A) Task Force met via conference call May 2, 2019. The following Task Force members participated: Kent Sullivan, Chair, represented by Mike Boerner (TX); Jillian Froment, Vice Chair, represented by Peter Weber (OH); Lori K. Wing-Heier represented by Greg Campbell (AK); Jim L. Ridling represented by Steve Ostlund (AL); Ricardo Lara represented by Rachel Hemphill and Perry Kupferman (CA); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Robert H. Muriel represented by Bruce Sartain (IL); Stephen W. Robertson represented by Karl Knable (IN); 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. Ramage represented by Rhonda Ahrens (NE); Linda A. Laceywell represented by Bill Carmello and Amanda Fenwick (NY); Glen Mulready represented by Andrew Schallhorn (OK); Todd E. Kiser represented by Tomasz Serbinowski (UT); and Scott A. White represented by Craig Chupp (VA).

1. Exposed Amendment Proposal 2019-52

Ms. Hemphill said amendment proposal 2019-52 addresses recommendation #5 of the Valuation Analysis (E) Working Group’s memorandum titled “PBR Recommendations and Referrals to LATF,” which recommends the requirement of a more appropriate materiality standard. She said that during the course of reviewing 2017 PBR Actuarial Reports, the Working Group observed materiality standards based on total company reserves or surplus. Ms. Hemphill said total reserves and surplus are not appropriate materiality standards for principle-based reserving (PBR) because they do not relate to the PBR calculation. She said proposed changes to the Overview of Reserve Concepts paragraph in Section I of the *Valuation Manual* provide criteria for determining material risks. The amendment also proposes edits to VM-01, Definitions for Terms in Requirements; VM-20, Requirements for Principle-Based Reserves for Life Products, Section 2.H, Section 9.A and Section 9.B; and VM-31, PBR Actuarial Report Requirements for Business Subject to a Principle-Based Valuation, Section 3.C.

Leonard Mangini (Mangini Actuarial and Risk Advisory) suggested that the proposed materiality standards be compared possibly to the materiality standards in the model audit rule. Mr. Robinson suggested deleting the term “modeled reserve.” Ms. Hemphill agreed to shorten the term to “reserve.” Ms. Hemphill noted that while the discussion focused on having a materiality standard, the aim of the proposal is to identify material risks. Mr. Leung suggested changing the description of the issue to reflect Ms. Hemphill’s comment.

Ms. Hemphill made a motion, seconded by Mr. Leung, to expose amendment proposal 2019-52 (Attachment One), after deleting the word “modeled” and changing the description, for a 21-day public comment period ending May 24. The motion passed unanimously.

2. Exposed Amendment Proposal 2019-46

Brian Bayerle (American Council of Life Insurers—ACLI) said the ACLI has worked with NAIC staff to review the information systems security of the experience reporting data collection and maintenance. He said amendment proposal 2019-46 provides governance in the event of a material security issue. Dan Schelp (NAIC) said the NAIC Legal Department is concerned that the proposal imposes more stringent requirements on the Experience Reporting Agent than the *Insurance Data Security Model Law* (#668) places on insurance companies.

Mr. Weber made a motion, seconded by Ms. Hemphill, to expose amendment proposal 2019-46 (Attachment Two) for a 21-day public comment period ending May 24. The motion passed unanimously.

3. Adopted Amendment Proposal 2019-25

Ms. Hemphill said amendment proposal 2019-25 requires a statement in the Life PBR Actuarial Report confirming that credibility has been calculated using experience study data without capping insurance amounts. The statement must also contain high-level details of the credibility calculation.

Ms. Hemphill made a motion, seconded by Mr. Leung, to adopt amendment proposal 2019-25 (Attachment Three). The motion passed unanimously.

4. Adopted Amendment Proposal 2019-16

Mr. Bayerle said the ACLI comment letter (Attachment Four) acknowledges support for amendment proposal 2019-16 but requests clarification of the sufficient data period start date for conversion policies. Ms. Hemphill said the start date depends on whether the company restarts the duration for conversions for the purposes of their experience study.

Ms. Hemphill made a motion, seconded by Mr. Weber, to adopt amendment proposal 2019-16 (Attachment Five). The motion passed unanimously.

5. Adopted Amendment Proposal 2019-18

Mr. Boerner said amendment proposal 2019-18 makes the revenue sharing rules in VM-20 consistent with VM-21, Requirements for Principle-Based Reserves for Variable Annuities. He said the Lincoln National comment letter (Attachment Six) supports the amendment proposal.

Ms. Hemphill made a motion, seconded by Mr. Weber, to adopt amendment proposal 2019-18 (Attachment Seven). The motion passed, with Mr. Carmello opposed.

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

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Draft: 7/18/19

Life Actuarial (A) Task Force  
Conference Call  
April 30, 2019

The Life Actuarial (A) Task Force met via conference call April 30, 2019. The following Task Force members participated: Kent Sullivan, Chair, represented by Mike Boerner (TX); Jillian Froment, Vice Chair, represented by Peter Weber (OH); Lori K. Wing-Heier represented by Greg Campbell (AK); Jim L. Ridling represented by Steve Ostlund (AL); Ricardo Lara represented by Rachel Hemphill and Perry Kupferman (CA); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Robert H. Muriel represented by Bruce Sartain (IL); Stephen W. Robertson represented by Karl Knable (IN); 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); Marlene Caride represented by Seong-min Eom (NJ); John G Franchini represented by Mark Hendrick (NM); Linda A. Lacewell represented by Bill Carmello and Amanda Fenwick (NY); Glen Mulready represented by Andrew Schallhorn (OK); Todd E. Kiser represented by Tomasz Serbinowski (UT); and Scott A. White represented by Craig Chupp (VA).

1. Exposed Nonsubstantive Framework Edits

Mr. Weber made a motion, seconded by Mr. Ostlund, to deem the American Council of Life Insurers (ACLI) edits to the Variable Annuity Framework documents nonsubstantive. The motion passed unanimously.

Mr. Weber made a motion, seconded by Mr. Ostlund, to expose amendment proposal 2019-51, the ACLI nonsubstantive edits to the Variable Annuities Framework (Attachment One), for a 14-day public comment period ending May 14. The motion passed unanimously.

2. Exposed Variable Annuity Mortality Revisions

Mr. Weber said the remaining outstanding issue from the March 27 ACLI comment letter is related to the VM-21, Requirements for Principle-Based Reserves for Variable Annuities, limitation on the ceding borrowing costs. John Bruins (ACLI) said amendment proposal 2019-48 removes the phrase “provided that the assumed cost of borrowing is not lower than the rate at which positive cash flows are reinvested in the same time period” from VM-21 Section 4.D.c. He said the reason for removing the phrase is that the issue is complex and has not been fully evaluated by the Task Force, as recommended by Oliver Wyman (Attachment Two). Ms. Hemphill said if the phrase is removed, a guidance note indicating the need for the Task Force to incorporate the phrase at a later date should be added. Alice Fontaine (Fontaine Consulting), representing the Arizona Department of Insurance (DOI), suggested retaining the phrase and having the guidance note indicate that the language does not consider some of the modeling challenges a company may encounter and at a later date, the Task Force will refine the language for incorporation into VM-21 and VM-20, Requirements for Principle-Based Reserves for Life Products.

Mr. Weber made a motion, seconded by Mr. Campbell, to expose amendment proposal 2019-48, with the phrase retained and the addition of a guidance note (Attachment Three) for a 14-day public comment period ending May 14. The motion passed unanimously.

Mr. Bruins said there were questions during the Task Force’s April 16 conference call as to whether the language in item #5 of the March 27 ACLI comment letter sufficiently addressed the issue. He said Ms. Fontaine has suggested language (Attachment Four) that addresses the issue more thoroughly.

Mr. Weber made a motion, seconded by Mr. Campbell, to expose amendment proposal 2019-50, language for items #1, #2, #3 and #5 in the March 27 ACLI comment letter (Attachment Five), including the edits proposed by Ms. Fontaine, for a 14-day public comment period ending May 14. The motion passed unanimously.

Peter Tian (Oliver Wyman) said the 403(b) variable annuity assumptions were defined to be applicable to simple 403(b) contracts without death benefits or roll up benefits. He said it later came to their attention that a specific set of policies included in the experience study had a roll up within the death benefit before a given attained age. He said the previous definition would have scoped out such products. He said the proposed amendment corrects the definition to be aligned with the experience study. He said a proposed change revises the lapse rates for simple 403(b) variable annuities that are in the money.

Mr. Leung made a motion, seconded by Mr. Chou, to expose the 403(b) edits highlighted in amendment 2019-49 (Attachment Six) for a 14-day public comment period ending May 14. The motion passed unanimously.

Ms. Hemphill said this amendment proposes moving the guidance note from VM-31, PBR Actuarial Report Requirements for Business Subject to a Principle-Based Reserve Valuation, to VM-21 because the guidance note outlines a method for assessing the impact of aggregation on the standard projection amount, and as such is not a reporting requirement.

Ms. Hemphill made a motion, seconded by Ms. Eom, to expose amendment 2019-47 (Attachment Seven) for a 14-day public comment period ending May 14. The motion passed unanimously.

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

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Draft: 7/22/19

Life Actuarial (A) Task Force  
Conference Call  
April 25, 2019

The Life Actuarial (A) Task Force met via conference call April 25, 2019. The following Task Force members participated: Kent Sullivan, Chair, represented by Mike Boerner (TX); Jillian Froment, Vice Chair, represented by Peter Weber (OH); Lori K. Wing-Heier represented by Greg Campbell (AK); Jim L. Ridling represented by Steve Ostlund (AL); Ricardo Lara represented by Rachel Hemphill and Perry Kupferman (CA); Andrew N. Mais represented by Wanchin Chou (CT); Stephen W. Robertson represented by Karl Knable (IN); Steve Kelley 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 Seong-min Eom (NJ); John G. Franchini represented by Mark Hendrick (NM); Linda A. Lacewell represented by Bill Carmello and Amanda Fenwick (NY); Glen Mulready represented by Andrew Schallhorn (OK); Todd E. Kiser represented by Tomasz Serbinowski (UT); and Scott A. White represented by Craig Chupp (VA).

1. Exposed Amendment Proposal 2019-43

Ms. Hemphill said amendment proposal 2019-43 addresses recommendation #32 of the Valuation Analysis (E) Working Group’s memorandum titled “PBR Recommendations and Referrals to LATF.” She said the recommendation clarifies that the due and deferred premium asset is based on the valuation net premium, which is zero in the first year for term products and universal life policies with secondary guarantees. Ms. Hemphill said the proposal also clarifies the floor for the net premium reserve (NPR) and moves the first two sentences in the guidance note in Section 2.A.1.c and the entire guidance note in Section 3.D.2.a into the text of the paragraphs they follow.

Ms. Hemphill made a motion, seconded by Mr. Carmello, to expose amendment proposal 2019-43 (Attachment One) for a 21-day public comment period ending May 16. The motion passed unanimously.

2. Exposed Amendment Proposal 2019-44

Pat Allison (NAIC) said amendment proposal 2019-44 addresses recommendations #3 and #4 of the Valuation Analysis (E) Working Group’s memorandum titled “PBR Recommendations and Referrals to LATF.” She said the recommendation addresses issues identified during the review of the 2017 PBR Actuarial Reports related to the breakdown of modeled business by various characteristics and types of underwriting. The proposal adds requirements to VM-31, PBR Actuarial Report Requirements for Business Subject to a Principle-Based Valuation, for additional information for breaking down the modeled business. Ms. Allison said templates that facilitate adherence to the requirements will be made available on the NAIC website. The templates are to be completed and submitted with the PBR Actuarial Report.

Ms. Hemphill made a motion, seconded by Mr. Weber, to expose amendment proposal 2019-44 (Attachment Two) for a 21-day public comment period ending May 16. The motion passed unanimously.

3. Re-Exposed Amendment Proposal 2019-23

Ms. Allison said amendment proposal 2019-23 has been revised to incorporate comments received during its previous public comment period. She said revisions include: 1) renumbering the templates; 2) requiring sample calculations to be provided only upon request; 3) removing the list of material risks and pointing to the identical list in VM-20, Requirements for Principle-Based Reserves for Life Products, Section 9.B.1 instead; and 4) providing a phase-in period for compliance with the changes.

Ms. Hemphill made a motion, seconded by Mr. Weber, to expose amendment proposal 2019-23 (Attachment Three) for a 14-day public comment period ending May 9. The motion passed unanimously.

4. Re-Exposed Amendment Proposal 2019-14

Ms. Allison said amendment proposal 2019-14 has been revised to add to VM-G, Appendix G – Corporate Governance Guidance for Principle-Based Reserves, a requirement for the retention of governance documentation.

Ms. Hemphill made a motion, seconded by Mr. Weber, to expose amendment proposal 2019-14 (Attachment Four) for a 14-day public comment period ending May 9. The motion passed unanimously.

5. Adopted Amendment Proposal 2019-42

Ms. Hemphill said amendment proposal 2019-42 was exposed with two alternatives. She noted that because the last sentence in the first alternative is not appropriate, only the first two sentences of the first alternative and the entirety of the second alternative are to be considered for adoption. She said smoothing is allowed for both alternatives, as long as all experience is considered. She said a guidance note should be added to the section on smoothing. Brian Bayerle (American Council of Life Insurers—ACLI) said the ACLI prefers the first alternative. Mr. Ostlund said he believes allowing smoothing makes the requirement subject to manipulation.

Mr. Carmello made a motion, seconded by Ms. Hemphill, to adopt amendment proposal 2019-42 (Attachment Five) using the second alternative. The motion passed, with Mr. Ostlund opposed.

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

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Draft: 7/17/19

Life Actuarial (A) Task Force  
Conference Call  
April 23, 2019

The Life Actuarial (A) Task Force met via conference call April 23, 2019. The following Task Force members participated: Kent Sullivan, Chair, represented by Mike Boerner (TX); Jillian Froment, Vice Chair, represented by Peter Weber (OH); Lori K. Wing-Heier represented by Greg Campbell (AK); Jim L. Ridling represented by Steve Ostlund (AL); Ricardo Lara represented by Rachel Hemphill and Perry Kupferman (CA); Andrew N. Mais represented by Wanchin Chou (CT); Robert H. Muriel represented by Bruce Sartain (IL); Stephen W. Robertson represented by Karl Knable (IN); 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. Ramge represented by Rhonda Ahrens (NE); Marlene Caride represented by Seong-min Eom (NJ); John G. Franchini represented by Mark Hendrick (NM); Linda A. Lacewell represented by Bill Carmello and Amanda Fenwick (NY); Glen Mulready represented by Andrew Schallhorn (OK); Todd E. Kiser represented by Tomasz Serbinowski (UT); and Scott A. White represented by Craig Chupp (VA).

1. Discussed VM-21 Definitions

Mr. Weber said that there are a number of definitions in VM-21, Requirements for Principle-Based Reserves for Variable Annuities, including the definition of guaranteed minimum death benefits (GMDB), that may have implications for life and health requirements. He said, after discussions with life and health interested parties, it was decided that those definitions will remain in VM-21, instead of moving to VM-01, Definitions for Terms in Requirements.

2. Exposed Variable Annuity Mortality Revisions

John Bruins (American Council of Life Insurers—ACLI) presented an update on variable annuity mortality (Attachment One). He said the Variable Annuities Issues (E) Working Group recognized the standard projection mortality assumption as an implementation issue. He said the ACLI anticipated proposing a simple percentage change table adjustment but, because the differences between current industry data and the proposed mortality varied by age and benefit, more extensive adjustments are required. Mr. Bruins said that based on the nature of the business covered in the study and the years of exposure, the ACLI is recommending that the Ruark study be used to adjust the standard projection mortality assumptions by age and by product type for 2020.

Alice Fontaine (Fontaine Consulting), representing the Arizona Department of Insurance (DOI), said her comment letter (Attachment Two) recommends changes to three sections of VM-21. The first change adds language to Section 11.A.3 to better distinguish benefit types in the determination of mortality segments. The second change modifies the language in Section 6.C.9 to add distinct mortality assumptions for business segments that only contain a GMDB, while maintaining the current mortality assumptions for other business segments. She said the change proposes the use of the 1994 Variable Annuity GMDB Mortality Table for GMDBs. The third change modifies the language in Section 11.B.3 to reference business segments as “contracts with no variable annuities with guaranteed living benefits (VAGLBs)” or “contracts with VAGLBs” instead of using the terms “plus” or “minus,” respectively, whenever prescribed tables are referenced. Additionally, references to “applicable published industrywide experience” were replaced with “Projection Scale G2” to be consistent with the mortality improvement described in Section 6.C.9. Mr. Bruins said the ACLI agrees with the direction of Ms. Fontaine’s recommendations, but the ACLI comment letter (Attachment Three) proposes the introduction of a table of factors to be applicable to the 2012 IAM Basic Mortality Table with Projection Scale G2. He said the table of factors alleviates the need for the separate paragraphs Ms. Fontaine proposed for Section 6.C.9 and Section 11.B.3. Mr. Ostlund asked if instead of clarifying that linear grading is used between factors, the factors table can be made more granular. Mr. Bruins agreed.

Mr. Ostlund made a motion, seconded by Mr. Leung, to expose the ACLI recommendations (Attachment Three) for a 21-day public comment period ending May 15. The motion passed unanimously.

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

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Draft: 6/25/19

Life Actuarial (A) Task Force  
Conference Call  
April 18, 2019

The Life Actuarial (A) Task Force met via conference call April 18, 2019. The following Task Force members participated: Kent Sullivan, Chair, represented by Mike Boerner (TX); Jillian Froment, Vice Chair, represented by Peter Weber (OH); Lori K. Wing-Heier represented by Greg Campbell (AK); Jim L. Ridling represented by Steve Ostlund (AL); Ricardo Lara represented by Rachel Hemphill and Perry Kupferman (CA); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Robert H. Muriel represented by Bruce Sartain (IL); Steve Kelley 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 Seong-min Eom (NJ); Linda A. Lacewell represented by Bill Carmello and Amanda Fenwick (NY); Glen Mulready represented by Andrew Schallhorn (OK); Todd E. Kiser represented by Tomasz Serbinowski (UT); and Scott A. White represented by Craig Chupp (VA).

1. Exposed Amendment Proposal 2019-39

Mr. Boerner said amendment proposal form (APF) 2019-39 proposes an interim solution for the yearly renewable term (YRT) reinsurance reserve credit issue. Ms. Hemphill said the proposal addresses recommendation #26 of the Valuation Analysis (E) Working Group's memorandum titled "PBR Recommendations and Referrals to LATF." She said given the perceived complexities of some of the other proposals and the lack of consensus around any single proposal, this amendment proposes using  $\frac{1}{2}c_x$  as an interim solution for calculating the reinsurance reserve credit for YRT reinsurance agreements with nonguaranteed premiums. She said the approach is well understood, and it should not cause major disruptions of the current market while other approaches are vetted more closely and field tests are conducted that may result in a longer-term solution. Mr. Serbinowski asked if the proposal is limited to nonguaranteed premiums and if it addresses other elements of the reinsurance agreement that are not guaranteed. Ms. Hemphill said the proposal should be interpreted broadly enough to encompass other elements that would impact cash flow. She suggested that a guidance note clarifying that point could be added. Ms. Fenwick said she is concerned that the proposal does not apply to reinsurance agreements with guaranteed premiums.

Ms. Hemphill made a motion, seconded by Mr. Ostlund, to expose amendment proposal 2019-39 (Attachment One) for a 21-day public comment period ending May 13. The motion passed unanimously.

2. Exposed Amendment Proposal 2019-30

Sheldon Summers (Claire Thinking, Inc) said APF 2019-30 from Mr. Robinson proposes the use of actuarial judgment to model the cash flows when determining the YRT reinsurance reserve credit, but it caps the reserve credit at  $\frac{1}{2}c_x$ . Mr. Andersen suggested including the proposal among those to be studied as part of the field tests that Ms. Hemphill mentioned earlier. Ms. Fenwick noted that the cap on the reserve credit is applicable to agreements with both guaranteed and nonguaranteed premiums.

Ms. Fenwick made a motion, seconded by Mr. Ostlund, to expose amendment proposal 2019-30 (Attachment Two) for a 21-day public comment period ending May 13. The motion passed unanimously.

3. Exposed Amendment Proposal 2019-40

Amy Eby (Lincoln Financial Group) said amendment proposal 2019-40 takes an approach that differs from APF 2019-30 and APF 2019-39. She said the methodology for modeling reinsurance should maintain a principle-based approach as it attempts to address recommendation #26. She said the prescribed aspects of proposals 2019-30 and 2019-39 are not easy to apply, and they are not applicable to all types of reinsurance agreements. She said the prescription also opens the door to companies encountering unintended consequences and unintentionally finding loopholes due to the inability to apply first principles and use actuarial judgment. She noted that, for companies that have used a principle-based approach to price policies for 2020, using a prescriptive approach would require repricing. She said reinsurance premiums are material assumptions that should require consistency with the model reserve assumptions and a margin, which should be documented and disclosed. Leonard Mangini (American Academy of Actuaries—Academy) said reinsurance is not a management action. He said it is a contractual agreement, which should not require a margin. Tim Cardinal (Actuarial Compass) suggested changing the wording in the proposal from "material assumption" to "material risk factor." Sam Early (Principal Financial Group) said Principal Financial

is supportive of the proposal. Ms. Hemphill said changing the wording to “material risk factor” does not eliminate the need for interpretation, which has led to what has been perceived as “the wild west,” and it does not level the playing field.

Mr. Ostlund made a motion, seconded by Mr. Campbell, to expose amendment proposal 2019-40 (Attachment Three) for a 21-day public comment period ending May 13. The motion passed unanimously.

#### 4. Exposed Amendment Proposal 2019-41

David Neve, representing himself, said the reason the YRT insurance reserve credit issue is difficult to address is that the starting point for reinsurance cash flows is a conservative margin applied to claims settlement. He said the conservative margin has an impact on income, for which there is no countermeasure on the expense side of the ledger. He said this leads to the challenge of anticipating the reinsurer reaction to the conservative claims margin and determining what approach the ceding company should take in response. He said amendment proposal 2019-41 attempts to address the issue by setting the margin to zero by using the best estimate for both claims and reinsurance premiums. He noted that appropriate disclosures would be required. Mr. Campbell said the reinsurance margin also includes a margin to cover reinsurer bankruptcy. Mr. Neve agreed that a margin for counterparty default risk must be reflected if it is known that the reinsurer is having financial problems. Ms. Hemphill said the proposal should be modified prior to exposure to include a prudent estimate assumption for counterparty default risk. She suggested adding the words “except margins pursuant to Section 8.C.16 through Section 8.C.18” to the first sentence of Section 8.C. of VM-20, Requirements for Principle-Based Reserves for Life Products.

Richard H. Daillak (Academy Life Reinsurance Work Group) said the Academy comment letter (Attachment Four) endorses the robust field testing of various proposals. He said the Academy is committed to lending resources to assist in field testing. Brian Bayerle (American Council of Life Insurers—ACLI) said the ACLI is also willing to assist.

Mr. Campbell made a motion, seconded by Mr. Leung, to expose amendment proposal 2019-41 (Attachment Five), including the modification for counterparty default risk, for a 21-day public comment period ending May 13. The motion passed unanimously.

#### 5. Exposed Amendment Proposal 2019-42

Bill Schwegler (Transamerica Life Insurance Company) said amendment proposal 2019-42 builds upon amendment proposal 2019-17, which was based on amendment proposal 2019-24, which was jointly submitted by John Hancock, Prudential and Transamerica. Similar to amendment proposals 2019-17 and 2019-24, amendment proposal 2019-42 employs a principle-based approach with prescriptive margins on YRT reinsurance rates to ensure that overly aggressive assumptions are not used in calculating the modeled reserve. Mr. Schwegler said the proposal seeks to compromise between the two previous proposals by equitably splitting the total margin between ceding and assuming companies by determining a 50-50 sharing of risk between the parties. He said based on their analysis, the risk sharing can be achieved by including five years of mortality improvement, in addition to the ceding company’s explicit VM-20 mortality margin. Ms. Hemphill said she is concerned that mortality improvement is limited to five years.

Ms. Hemphill made a motion, seconded by Mr. Ostlund, to expose amendment proposal 2019-42 (Attachment Six), including separate alternatives for five-year, 10 year and 15 year mortality improvement periods, for a 21-day public comment period ending May 13. The motion passed unanimously.

Mr. Summers said he submitted a comment letter (Attachment Seven) that focuses on the impact of current accounting requirements on the determination of the reinsurance reserve credit. He said thus far the YRT reinsurance reserve credit discussions have yet to consider the requirements in the *Accounting Practices and Procedures Manual* (AP&P Manual), specifically *Statement of Statutory Accounting Principles (SSAP) No. 61R—Life, Deposit-Type and Accident and Health Reinsurance* and Appendix A-791, Life and Health Reinsurance Agreements. He said the *Valuation Manual* relies on the AP&P Manual to determine whether a reinsurance agreement is to be included in the principle-based reserving (PBR) calculation. He said while, Appendix A-791 exempts YRT reinsurance from the risk transfer rules, the exemption is available only to agreements where the amount of surplus relief does not exceed the amount that might be obtained from a YRT treaty with no first-year premium.

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

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Draft: 6/25/19

Life Actuarial (A) Task Force  
Conference Call  
April 16, 2019

The Life Actuarial (A) Task Force met via conference call April 16, 2019. The following Task Force members participated: Kent Sullivan, Chair, represented by Mike Boerner (TX); Jillian Froment, Vice Chair, represented by Peter Weber (OH); Ricardo Lara represented by Rachel Hemphill and Perry Kupferman (CA); Michael Conway represented by Sean Brady (CO); Andrew N. Mais represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Robert H. Muriel represented by Bruce Sartain (IL); Vicki Schmidt represented by Nicole Boyd (KS); Chlora Lindley-Myers represented by William Leung (MO); Marlene Caride represented by Seong-min Eom (NJ); John G. Franchini represented by Mark Hendrick (NM); Linda A. Lacewell represented by Bill Carmello (NY); Glen Mulready represented by Nicolas Lopez (OK); Todd E. Kiser represented by Tomasz Serbinowski (UT); and Scott A. White represented by Craig Chupp (VA).

1. Discussed Comments on VM-01 and VM-21 Edits

Mr. Weber discussed the comments received on the exposure of amendment proposal 2019-27, which recommends edits to VM-21, Requirements for Principle-Based Reserves for Variable Annuities. He said the American Council of Life Insurers (ACLI) comments (Attachment One) address non-material clarifications that do not change the VM-21 requirements. He asked Task Force members and interested parties to review the comments offline, with the intention of discussing any items that they might not consider non-material clarifications during its April 23 conference call.

Mr. Chupp said items #1 and #5 in his comment letter (Attachment Two) have already been addressed. The Task Force agreed to make the reference corrections and editorial changes that Mr. Chupp noted in items #2, #5, #6, #7 and #8 of his comment letter. Mr. Chupp said item #3 of his comment letter suggests defining the term “guaranteed benefit type,” used in VM-21, Section 6.C.1, and including a list of the various guaranteed benefits within the definition. Mr. Weber said definitions of the various guaranteed benefits are provided in VM-01, Definitions for Terms in Requirements. He said the language in Section 6.C.1 can be changed to “a contract’s guaranteed benefit type, where a number of benefit types are specifically defined in VM-01 (e.g., GMDB, GMIB, GMWB, etc.)” Mr. Chupp said the language change will address item #3. He said item #4 asks if there is a plan to periodically update the fixed first-year projection administration expenses. John Bruins (ACLI) said the Oliver Wyman recommendation is to review prescribed assumptions every three to five years. He suggested that Task Force members consider whether expense assumptions should continue to be prescribed or if companies should be allowed to use their own expenses. Mr. Weber said perhaps a guidance note can be added to capture the Oliver Wyman recommendation for review of prescribed assumptions every three to five years. He said the prescription of expense assumptions can be considered during the next review period.

Mr. Weber said Bill Weller (America’s Health Insurance Plans—AHIP) suggested clarifying the proposed VM-01 definition of guaranteed minimum death benefit (GMDB). Reggie Mazyck (NAIC) said discussions with Mr. Weller resulted in several draft versions of the clarification. He said the Task Force is asked to consider Mr. Weller’s final version (Attachment Three). Mr. Weller said his last sentence is intended to clarify that the definition of GMDB is not applicable to health insurance contracts or credit health contracts. Mr. Chupp said the clarification is unnecessary because the term GMDB is used only in VM-21, which applies only to variable annuities. Leonard Mangini (American Academy of Actuaries—Academy) asked how a life insurance policy with a GMDB rider with a separately distinguishable charge would be treated. He asked, given that the policy could technically be bifurcated, whether the GMDB would be treated as a life insurance product or an annuity product. He said because the underlying chassis is life insurance, the rider should be treated as life insurance. Mr. Weber asked Mr. Mangini to find a place in VM-20, Requirements for Principle-Based Reserves for Life Products, to place a guidance note indicating how the GMDB on a life policy should be addressed. Pat Allison (NAIC) agreed to work with Mr. Mangini to determine how best to address the issue.

Mr. Bruins discussed items #1, #2, #3 and #5 in the ACLI comment letter (Attachment Four). He said item #1 suggests a modified definition of total asset requirement (TAR) that focuses on the stochastic values, stochastic reserve, and C3-RBC based on the stochastic calculations, each excluding the additional standard projection and prior to any adjustments for phase-in and/or smoothing of risk-based capital (RBC). He said item #2 proposes guidance to clarify the appropriate adjustment to the VM-21 requirements phase-in to reflect a material change to the business and addresses the conditions for applying for early adoption of VM-21. Ms. Hemphill said the phase-in adjustment to reflect a material change should consider any anticipated recapture of reinsured business when the recapture does not eventuate. Mr. Bruins said the adjustment should be

made for quarterly valuations, but it may not be necessary for the year-end valuation. He said item #5 proposes allowing certain contract features to expire based on the terms of the contract, instead of applying the calculation shortcut, which requires the benefit to continue in-force even when it otherwise might have expired because consideration of future premiums is generally not allowed in the standard projection. Alice Fontaine (Fontaine Consulting), representing the Arizona Department of Insurance (DOI), asked if the wording should be changed to reflect that future growth would be terminated, as opposed to all growth. Mr. Bruins agreed to discuss a possible enhancement to the wording offline.

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

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**Consider Exposure of the Generally Recognized  
Expense Tables (GRET) Recommendation**

**TO:** Reggie Mazyck, NAIC  
**FROM:** Dale Hall, Managing Director of Research, Society of Actuaries (SOA)  
Leon Langlitz, Chair, SOA Committee on Life Insurance Company Expenses  
**DATE:** July 16, 2019  
**RE:** 2020 Generally Recognized Expense Table (GRET) – SOA Analysis

As in previous years, the Society of Actuaries expresses its thanks to NAIC staff for their assistance and responsiveness in providing Annual Statement expense and unit data for the 2020 GRET analysis for use with individual life insurance sales illustrations. The analysis is based on expense and expense related information reported on companies' 2017 and 2018 Annual Statements. This project has been completed to assist the Life Actuarial Task Force (LATF) in its consideration of potential revisions to the GRET that could become effective for calendar year 2020. This memo describes the analysis and resultant findings.

NAIC staff provided Annual Statement data for life insurance companies for calendar years 2017 and 2018. This included data from 707 companies in 2017 and 722 companies in 2018. This increase breaks the trend of small decreases over the previous few years. Of the total companies, 326 were in both years and passed the outlier exclusion tests and were included as a base for the GRET factors (361 companies passed similar tests last year).

### Approach Used

The methodology for calculating the recommended GRET factors based on this data is similar in broad outline to that followed the last several years. The methodology was last altered in 2015. The changes which were made at that time can be found in the recommendation letter sent on July 30, 2015<sup>1</sup>.

To calculate updated GRET factors, the average of the factors from the two most recent years (2017 and 2018 for those with data available for both years) of Annual Statement data was used. For each company an actual to expected ratio was calculated. Companies with ratios that fall outside predetermined parameters are excluded and this process is completed three times in order to stabilize the average rates. The boundaries of the exclusions are modified from time to time and there was a slight adjustment this year to increase the number of companies in the final study. Unit expense seed factors (the seeds for all distribution channel categories are the same), as given 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 of ceded reinsurance basis).

Companies were categorized by their reported distribution channel (four categories were used as described in Appendix A of this memo). There remain a significant number of companies for which no distribution channel was available, 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

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<sup>1</sup> <https://www.soa.org/Files/Research/Projects/research-2016-gret-recommendation.pdf>

years to increase the response rate to the surveys of companies that submit Annual Statements in order to reduce the number of companies in the “Other” category would be most welcomed.

Prior to 2014, when responding to the survey if a company indicated they used multiple channels to distribute their individual life sales, the percentage weights provided to us were applied to that company’s reported results in the tabulations of each of the distribution channel’s unit expense results. In 2015 this was changed so that all expenses for a company will go to the channel with the highest percentage weight. This approach was changed because: (1) as fewer channel types were used, it was expected that fewer companies would have multiple channels as currently defined and (2) an insufficient number of multiple distribution responses were provided in that year’s survey to result in a significantly different outcome. The intention is to continue surveying the companies in future years to enable enhancement of this multiple distribution channel information.

Companies were excluded from the analysis if (1) their actual to expected ratios were considered outliers, often due to low business volume, (2) the average first year and single premium per policy was more than \$40,000, (3) they are known reinsurance companies or (4) companies were not in both years of the data supplied by the NAIC. To derive the overall GRET factors, the unweighted average of the remaining companies’ actual-to-expected ratios for each respective category was calculated. The resulting factors were rounded, as shown in Table 1.

### The Recommendation

Employing the above methodology results in the proposed 2020 GRET values shown in Table 1. To facilitate comparisons, the current 2019 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 2020 GRET FACTORS, Based on Average of 2017/2018 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	\$168	\$0.90	42%	\$50	118	3,263	200
Career	214	1.20	54%	64	63	2,661	217
Direct Marketing	217	1.20	54%	65	20	2,489	213
Niche Marketing	125	0.70	32%	38	21	757	13
Other*	140	0.80	35%	42	104	876	34
<b>Total</b>					<b>326</b>		

**TABLE 2**  
**CURRENT (2019) FACTORS, Based on Average of 2016/2017 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	\$167	\$0.90	42%	\$50	130	3,496	194
Career	231	1.30	58%	69	69	2,287	203
Direct Marketing	221	1.20	55%	66	22	2,492	163
Niche Marketing	139	0.80	35%	42	21	702	20
Other*	136	0.70	34%	41	119	839	32
<b>Total</b>					<b>361</b>		

In previous recommendations, an effort was made to reduce volatility in the GRET factors from year-to-year by limiting the change in GRET factors between years to about ten percent of the prior value. The changes from the 2019 GRET were reviewed to ensure that a significant change was not made in this year's GRET recommendation. Only the Niche Marketing distribution channel category experienced a change greater than ten percent so the factors for this line were capped at the ten percent level (the Acquisition per unit factor changed more than 10% because of rounding) from the corresponding 2019 GRET values. The change occurred due to the change in the composition of the companies in this category where there is a small number of companies included.

#### Usage of the GRET

Also asked in this year's survey, responded to by companies' Annual Statement correspondent, was a question regarding whether the 2018 GRET table was used by the company. Last year, 28% of the responders indicated their company used the GRET for sales illustration purposes, with similar percentage results by size of company; this contrasted with about 30% in the prior year. This year, 26% of responding companies indicated that they used the GRET in 2018 for sales illustration purposes, with similar results for each of the distribution channels with a significant number of responders. 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 Dale Hall at 847-273-8835.

Kindest personal regards,



Dale Hall, FSA, MAAA, CERA, CFA  
Managing Director of Research  
Society of Actuaries



Leon Langlitz, FSA, MAAA  
Chair, SOA Committee on Life  
Insurance Company Expenses

## Appendix A -- Distribution Channels

The following is a description of distribution channels used in the development of recommended 2020 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 2019 GRET and the 2020 GRET recommendation 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 2019 Annual Statement submission this information may become more readily available.

2006-2010 (average) CLICE Studies:

	<b>Acquisition/ Policy</b>	<b>Acquisition/ Face Amount (000)</b>	<b>Acquisition/ Premium</b>	<b>Maintenance/ Policy</b>
<b>Term</b>				
Weighted Average	\$149	\$0.62	38%	\$58
Unweighted Average	\$237	\$0.80	57%	\$76
Median	\$196	\$0.59	38%	\$64

<b>Permanent</b>				
Weighted Average	\$167	\$1.43	42%	\$56
Unweighted Average	\$303	\$1.57	49%	\$70
Median	\$158	\$1.30	41%	\$67

Current Unit Expense Seeds:

	<b>Acquisition/ Policy</b>	<b>Acquisition/ Face Amount (000)</b>	<b>Acquisition/ Premium</b>	<b>Maintenance/ Policy</b>
All distribution channels	\$200	\$1.10	50%	\$60

# 2020 GRET Recommendation

**Leon Langlitz, Chair SOA Committee on Life Insurance Company Expenses**

**R. Dale Hall, Managing Director of Research, Society of Actuaries**

NAIC LATF – August 1, 2019



# 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.*

# GRET AGENDA

- Methodology
- Recommendation
- Comparison to Prior Years
- Information on Companies in Study

# Methodology

- Select data points provided by NAIC from company Annual Statement submissions
- SOA surveyed companies to determine Distribution Channels
- SOA analyzed data to derive unit expense factors by those Distribution Channels

# Additional Comments on Methodology

- Allocated expenses to acquisition and maintenance categories using the same seeds as has been previously used
  - Acquisition/Policy: \$200.00
  - Acquisition/Face Amount: \$1.10
  - Acquisition/Premium: 50%
  - Maintenance/Policy: \$60.00

# Recommendation

Proposed 2020 GRET Factors Based on Average of 2017/2018 Data					
Description	Acquisition per Policy	Acquisition per Unit	Acquisition per Premium	Maintenance per Policy	Company Count
Independent	\$168	\$0.90	42%	\$50	118
Career	\$214	1.20	54%	\$64	63
Direct Marketing	\$217	1.20	54%	\$65	20
Niche Marketing	\$125	0.70	32%	\$38	21
Other*	\$140	0.80	35%	\$42	104
					326

\* Includes companies that did not respond to this or prior year surveys

Current 2019 GRET Factors Based on Average of 2016/2017 Data					
Description	Acquisition per Policy	Acquisition per Unit	Acquisition per Premium	Maintenance per Policy	Company Count
Independent	\$167	\$0.90	42%	\$50	130
Career	\$231	1.30	58%	\$69	69
Direct Marketing	\$221	1.20	55%	\$66	22
Niche Marketing	\$139	0.80	35%	\$42	21
Other*	\$136	0.70	34%	\$41	119
					361

\* Includes companies that did not respond to this or prior year surveys

# Comparison to Prior Years

Acquisition per Policy					
Description	2020	Percentage Change	2019	Percentage Change	2018
Independent	\$168	1%	\$167	7%	\$156
Career	214	-7%	231	-3%	238
Direct Marketing	217	-2%	221	5%	211
Niche Marketing	125	-10%	139	1%	137
Other*	140	3%	136	-4%	141

\* Includes companies that did not respond to this or prior year surveys

Acquisition per Unit					
Description	2020	Percentage Change	2019	Percentage Change	2018
Independent	\$0.90	0%	\$0.90	0%	\$0.90
Career	1.20	-8%	1.30	0%	1.30
Direct Marketing	1.20	0%	1.20	0%	1.20
Niche Marketing	0.70	-13%	0.80	0%	0.80
Other*	0.80	14%	0.70	-13%	0.80

\* Includes companies that did not respond to this or prior year surveys

# Comparison to Prior Years

Acquisition per Premium					
Description	2020	Percentage Change	2019	Percentage Change	2018
Independent	42%	0%	42%	8%	39%
Career	54%	-7%	58%	-2%	59%
Direct Marketing	54%	-2%	55%	4%	53%
Niche Marketing	32%	-9%	35%	3%	34%
Other*	35%	3%	34%	-3%	35%

\* Includes companies that did not respond to this or prior year surveys

Maintenance per Policy					
Description	2020	Percentage Change	2019	Percentage Change	2018
Independent	\$50	0%	\$50	6%	\$47
Career	64	-7%	69	-3%	71
Direct Marketing	65	-2%	66	5%	63
Niche Marketing	38	-10%	42	2%	41
Other*	42	2%	41	-2%	42

\* Includes companies that did not respond to this or prior year surveys

# Information on Companies in Study

- The following percentages of companies responded that GRET factors are used for individual life sales illustration purposes:
  - 2019 Survey: 26%
  - 2018 Survey: 28%
  - 2017 Survey: 30%
  - 2016 Survey: 26%
  - 2015 Survey: 25%
- We believe variation is a result of the mix of respondents and the limited number of responses

# Information on Companies in Study

- Included 326 companies in this year's study
  - Decrease of 35 companies from 2018.
  - This is due to companies that are new outliers or have large premiums in 2018 as they are dropped from consideration.
- There were a total of 722 companies originally in the data received from the NAIC in 2018 versus 707 in 2017
- However, total ordinary policies issued for these 722 companies decreased by 0.79% over 2017
- Face amount issued increased by 1.69% from 2017 to 2018

# Questions?



**Consider Adoption of the VM-22 (A) Subgroup**  
**Report**

## VM-22 Subgroup Report

LATF, NAIC Summer Meeting, August 1, 2019

The VM-22 Subgroup held two open meetings to discuss a draft of Section 2 that would add methodology and assumption guidance for income annuities to VM-22. The need for this was that companies and regulators alike needed clarity about how to “marry” the methodology and assumption guidance in AG IX-A, AG IX-B and AG IX-C with the valuation interest rate guidance in VM-22. The SVILRWG, led by Chris Conrad, had volunteered to address this issue. The key elements of the new proposed guidance are as follows:

1. Level and non-level payment contracts will be treated the same for purposes of setting the maximum valuation interest rate.
2. A minimum standard reserve is defined, based on a seriatim calculation.
3. Companies may use methods other than the seriatim calculation defined in the minimum standard reserve, provided a qualified actuary certifies that the reserve does not fall below the minimum standard.
4. Reinvestment risk is addressed by re-determining the maximum valuation interest rate on every 30<sup>th</sup> anniversary of the contract’s premium determination date.

Attachment 1 shows the APF, redlined against the current VM-22, that is pending final approval to be exposed for public comment. This guidance is expected to take effect 1/1/2021.

Between now and the effective date of the new guidance, the SVILRG has indicated that companies might benefit from some “advice” as to how to address the issue of marrying VM-22 rates with AG IX-B guidance. Attachment 2 shows a document that offers a set of considerations that the companies may wish to apply. The considerations are related to the new guidance, but are not enforceable as such at this time.

The development of VM-23 is continuing, target implementation date 1/1/2022.

I would like to thank the SVILRG for their contribution, as well as other Academy volunteers who provided us some background on the development of the AGs. Finally, I would like to thank the VM-22 Subgroup for their support, and helpful comments on the APF.

Thank you.

John Robinson FSA, FCA, MAAA

VM-22 Subgroup Chair

Draft: 7/19/19

VM-22 (A) Subgroup  
Conference Call  
July 11, 2019

The VM-22 (A) Subgroup of the Life Actuarial (A) Task Force met via conference call July 11, 2019. The following Subgroup members participated: John Robinson, Chair (MN); Mike Yanacheak (IA); William Leung (MO); Amanda Fenwick (NY); Tomasz Serbinowski (UT); and Craig Chupp (VA).

1. Discussed the Proposal for Revisions to VM-22

Mr. Robinson discussed a draft of revisions to Section 2 (Attachment One) of VM-22, Maximum Valuation Interest Rates for Income Annuities. He said the revisions are necessary because there seems to be a disconnection between the methods and assumptions defined in VM-22 and what companies are doing. Brian Bayerle (American Council of Life Insurers–ACLI) noted that scope of VM-22 is limited to the determination of interest rates and does not include methodologies and assumptions. Mr. Robinson agreed that the changes will need to be redlined against the 2019 Valuation Manual version of VM-22.

Mr. Robinson said, as part of the VM-22 revision, there will be no differentiation in treatment between level payment contracts and non-level payment contracts for the purpose of setting the maximum interest rate. He said similarly there will no longer be a need for differentiation between immediate and deferred annuities for the purpose of setting the maximum interest rate. He said the proposal also revises the method for the recognition of new mortality tables.

Mr. Robinson noted that companies are using various methods to group cashflows when determining the valuation interest rate. He said that will be allowed to continue as long as the qualified actuary certifies that the resultant reserve is not less than the minimum serve. He said that will require modification of the term “reference period” and the moving of the definitions to VM-01, Definitions for Terms in Requirements. The proposal included a new definition for the term “minimum reserve.”

Mr. Robinson the reason for no longer differentiating between level payment contracts and non-level payment contracts is that the primary focus of Actuarial Guideline IX-B, Clarification of Methods Under Standard Valuation Law for Individual Single Premium Immediate Annuities, Any Deferred Payments Associated Therewith, Some Deferred Annuities, and Structured Settlement Contracts (AG IX-B), was reinvestment risk. He said the reinvestment risk would be handled by requiring that the interest rate to be recalculated every 30 years after the premium determination date.

Mr. Chupp said the definition of minimum reserve is not clear. Mr. Robinson agreed and said the way the definition is currently written the meaning may change based on the context. He said the definition needs work. Mr. Bayerle said there also needs to be more work on the ties to VM-A and VM-C and the mortality section. Mr. Boerner stated that the draft should be redlined against the current version of VM-22.

Mr. Robinson discussed a list of considerations related to the interaction of VM-22 rates and AG IX-B guidance (Attachment Two). The consideration document included an example of the application of AG IX-B. Discussion of where the list of considerations will reside will continue. Mr. Bayerle suggested that the NAIC Legal department provide guidance on whether AG IX-B will continue or be sunset.

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

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**Hear an Update from the American Academy of  
Actuaries (Academy) Annuity Reserves Work Group**

# ARWG Next Phase in Fixed Annuity PBR

American Academy of Actuaries Annuity Reserves Work  
Group (ARWG)  
NAIC Life Actuarial Task Force—Summer 2019

Ben Slutsker, MAAA, FSA  
Chairperson, Annuity Reserves Work Group  
John R. Miller, MAAA, FSA  
Vice-Chairperson, Annuity Reserves Work Group



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# ARWG's Next Phase

## □ ARWG Status Update

- Thought leadership and progress toward principle-based reserving (PBR) framework for non-variable annuities
- Internal ARWG discussions to develop methodology

## □ Transition

- Ben Slutsker to chair ARWG with John Miller continuing to lead as vice chair
- Use transition as opportunity to align members within the ARWG and interested parties across key aspects of framework
- Identify necessary steps to get to adoption of a PBR framework
- Provide transparency of mission/objectives both within Academy and to outside parties
- Focus on development of fixed annuity PBR methodology and design proposal

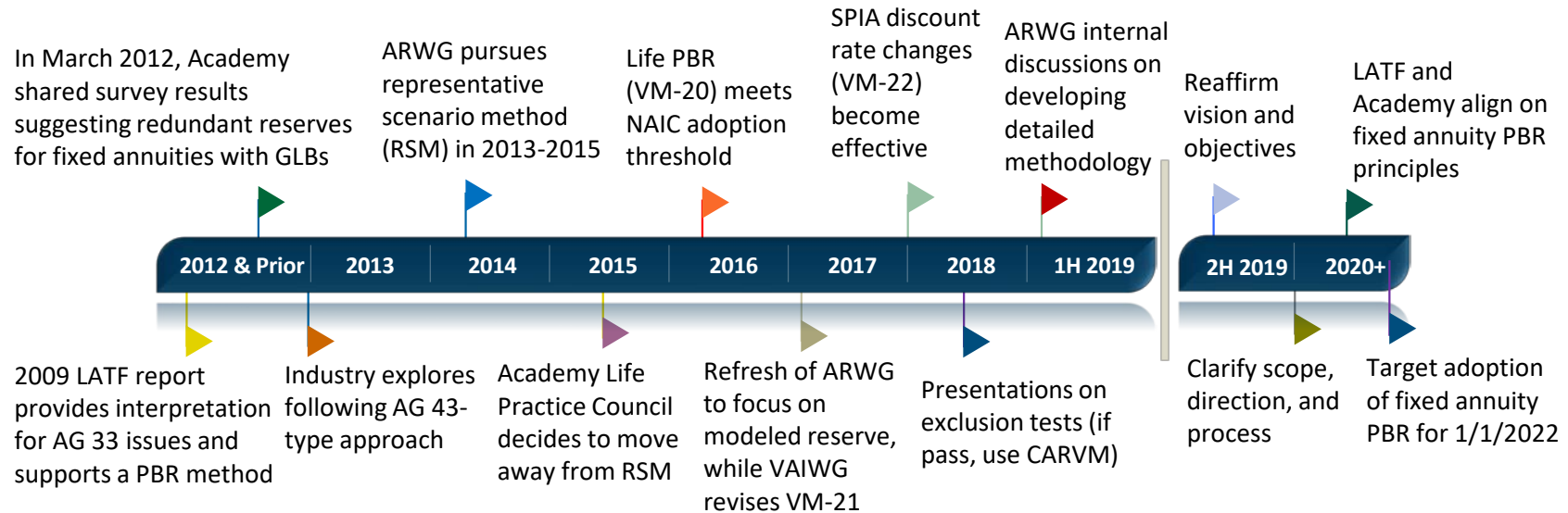


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# From Dawn to Drafting: History of ARWG



- Began expressing desire for non-variable PBR-type framework starting 2009-2012
- The Representative Scenario Method (RSM) was pursued 2013-2015
- Pursued initial development of PBR reserve while VAIWG revised VM-21 over 2016-2019
- Clarification of scope/key framework aspects will be the focus before continuing in 2020

# Next Steps

- **Reaffirm Objective – *Short Term (Fall 2019)***
  - ▣ Transparency of PBR need, objective, group vision
  - ▣ Develop Group “Manifesto” with vision/objectives
  - ▣ Modeling Effort: Sample calculation in targeted economic scenarios
  
- **Create Framework – *Medium Term (Spring and Summer 2020)***
  - ▣ Map out potential process for advancing proposal
  - ▣ Clarify key concepts of proposal:
    - Scope of products, exclusion test, aggregation, hedge modeling, asset methodology
  - ▣ Model product designs or consider field test
  - ▣ Seek LATF blessing over fixed annuity PBR framework
  
- **Drafting Phase – *Long Term (Fall 2020+)***
  - ▣ Support VM drafting effort with comments and input
  - ▣ Target adoption: 1/1/2022



# Questions?

- Ben Slutsker, MAAA, FSA  
Chairperson, Annuity Reserves Work Group
- John R. Miller, MAAA, FSA  
Vice-Chairperson, Annuity Reserves Work Group
- Ian Trepanier  
Life Policy Analyst  
American Academy of Actuaries  
[Trepanier@actuary.org](mailto:Trepanier@actuary.org)



**Hear an Update from the Academy Standard  
Valuation Law Interest Rate Subgroup**

# Standard Valuation Law Interest Rate Modernization Update



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Chris Conrad, MAAA, FSA  
Chairperson, SVL Interest Rate Modernization Work Group

# SPIA Valuation Issue

- Issue: Applicability of AG IX-B in VM-22
  - ▣ That is, treatment of non-level payments in new framework
  - ▣ AG IX-B developed in part to deal with reinvestment risk
- Discussed approaches under old framework
  - ▣ “Carve-out” and “Graded Interest” Methods
- Discussed possible approaches for applying AG IX-B with VM-22 Valuation Rates
- “Considerations” drafted by John Robinson to be available for YE 2019



# Non-SPIA Valuation Rates

- Must coordinate with ARWG
  - Ben Slutsker now vice chairperson of SVL Work Group
    - Should facilitate coordination between the two groups
- Current Plan: Refresh current valuation rates using similar methodology as was used to develop current rates
  - Solve for interest rate on projected liabilities which produces equivalent projected investment income on assets
  - Examining three interest rate scenarios: level, rising, falling
  - Looking at whether to retain single locked-in rate at issue or require future unlocking
- Same scope: produce valuation rates for all non-SPIA annuities



# Non-SPIA Valuation Rates

- Contemplated Changes to Current Framework
  - New Reference Index: Treasuries + VM-20 Spreads
  - Potential Differentiators:
    - Surrender Charge Period
    - Market Value Adjustment
    - Partial Free Withdrawals
    - Single Premium vs. Flexible Premium
    - Multi-year guarantee vs. annual reset
  - Work started on Multi-Year Guarantee and Annual Reset annuities
  - Guaranteed Living Benefits (GLBs) to be examined next
  - Proposed Effective Date: 1/1/22



# Questions?

- Chris Conrad, MAAA, FSA  
Chairperson, SVL Interest Rate Modernization Work Group
- Ben Slutsker, MAAA, FSA  
Vice Chairperson, SVL Interest Rate Modernization Work Group
  
- Ian Trepanier  
Life Policy Analyst  
American Academy of Actuaries  
[Trepanier@actuary.org](mailto:Trepanier@actuary.org)



**Consider Adoption of the Longevity Risk (A/E)**  
**Subgroup Report**

**No Materials**

**Consider Adoption of the Variable Annuities Capital  
and Reserve (E/A) Subgroup Report**

**No Materials**

**Consider Adoption of the IUL Illustration (A)**  
**Subgroup Report**

Draft: 7/23/19

IUL Illustration (A) Subgroup  
Conference Call  
July 15, 2019

The IUL Illustration (A) Subgroup of the Life Actuarial (A) Task Force met via conference call July 15, 2019. The following Subgroup members participated: Fred Andersen, Chair (MN); Ted Chang (CA); Andy Greenhalgh (CT); Vincent Tsang (IL); Rhonda Ahrens (NE); Bill Carmello (NY); Peter Weber (OH); Mike Boerner (TX) and John Carter (TX); Tomasz Serbinowski (UT); and Craig Chupp (VA).

1. Discussed Comments on the IUL Illustration Menu of Options

Donna Megregian (American Academy of Actuaries—Academy) discussed the Academy comment letter (Attachment One) on items 13 through 16 of the IUL Illustration Menu of Options exposed by the Subgroup on its May 28 conference call. She said the Academy agrees with option 13, which suggests clarification of whether charges can impact the assumed earned interest underlying the disciplined current scale. She said comment letter provided one example and the Academy is willing to provide more details for the example if needed. She said the Academy is not in favor of eliminating demonstrations of the variable index loans but favors making sure the illustrated loan leverage is consistent with the intent of *Actuarial Guideline XLIX—The Application of the Life Illustrations Model Regulation to Policies with Index-Based Interest* (AG 49). Ms. Megregian said the Academy supports applying consistent treatment to products of similar risk profiles. She cautioned against treating all indexed universal life (IUL) product types the same. She said the Academy comment on option 16 is that a policy's internal rate of return is dependent upon all policy charges and credits, including credited interest rates. She said any constraint on the crediting rate could also serve as an unintended artificial constraint on the other components of the internal rate of return, which could make it difficult for the illustration actuary to provide the required certification.

Brian Bayerle (American Council of Life Insurers—ACLI) said the ACLI comment letter (Attachment Two) notes that an illustration should help consumers identify and determine the policy that best suits their needs and should reflect the appropriate risk and reward trade-off for the particular product. He said the ACLI supports clarification related to the 145% of the annual net investment earned rate limitation and the incorporation of asset charges for multipliers or bonuses in AG 49 Section 5A. He said in reference to option 14, an illustration should reflect all risk and rewards of the product features including policy loans. He noted that the ACLI would support clarification of the illustrated interest rate credit and the rate charged, including whether they should reflect any bonus or multipliers. Mr. Bayerle said the ACLI supports the consistent treatment of various IUL product types and believes clarification around the aforementioned items would foster that consistency. He said the application of AG 49 constraints to cash value internal rate of return, as identified in option 16, would be an arbitrary limit that would lower crediting amounts and would not necessarily give consumers a full picture of how the product might perform.

Tom Doruska (Global Atlantic) said the Global Atlantic comment letter (Attachment Three) expresses its support for the illustration properly depicting the product and its features and accurately portraying the risk/reward nature of the product in a manner that is understandable by consumers. He said, in response to option 13, Global Atlantic believes that clarification of the 145% limit, especially when the product uses a hedge budget instead of earned rate on the assets. He said the intent of AG 49 was to put a limit on the amount of equity risk premium that could be illustrated, and the use of bonuses and multipliers provide an opportunity to come to a different conclusion as to the limit. Mr. Doruska said bonuses and multipliers should be reflective of the 100-basis point equity risk premium limit AG 49 places on loans.

Scott Harrison (Harrison Law Office) said his comment letter (Attachment Four) was submitted on behalf of five companies. He said the IUL product is very valuable and beneficial to consumers. He said the product with bonuses and multipliers is not the same as the IUL product being sold a few years ago. He said the discussion should focus on how to incorporate multipliers into AG 49. He advocated for simplified disclosures as opposed to more illustrations.

Ernest Armijos (Pacific Life) said the Pacific life comment letter (Attachment Five) supports the ability of consumers to have access to the products that meet their insurance needs and financial objectives. He said it is also important that consumers are provided with effective disclosures to inform their decisions. He spoke of the need to clarify the 145% limit in a manner consistent with current insurer interpretations. He said Pacific Life supports the illustration of variable loans distinctly from fixed or other loans and believes that all product features should be permitted to be appropriately illustrated. Mr. Armijos said Pacific life does not believe the AG 49 constraints should be applied to bonuses and multipliers. He said such application would result in an unlevel playing field, as there is no such restriction applied to non-IUL products.

Stephen O'Brien said his comment letter (Attachment Six) needed no further explanation.

Mark Smith (The Tonka Group) said his comment letter (Attachment Seven) echoes statements in the other comment letters. He said he would be concerned with the application of limits to the IUL product. He said that AG 49 has caused a number of the problems the industry is currently experiencing because AG 49 is tied to the Standard & Poor's (S&P) 500.

Seth Detert (Securian Financial) said the comment letter (Attachment Eight) is submitted jointly by Securian Financial, Penn Mutual and Mutual of Omaha. He said the overriding aspect the comment letter attempts to convey is that AG 49 does not contemplate or capture the additional multipliers that have been added over the past few years. He said providing clarification of the type indicated in option 13 and option 14 would be a step in the right direction.

Mr. Andersen said it appears that all commenters are in favor of adding disclosure requirements. He said the plan is to address the illustrated scale issues, followed by the application of appropriate disclosures. He said the challenge is that the illustrated scale is the most widely used tool for comparing IUL products and is currently driving sales towards those products that illustrate at a higher rate. He noted that products with higher upside will also have a higher probability of unfavorable surprises for consumers. He said because the illustrated scale contemplated by the model regulation is always a single scale, there has always been a struggle to illustrate upside potential and downside risk. He said that issue is one concern. He said a second concern is that a company's illustrated scale may be producing an outcome that is unlikely to occur. He said the subgroup must determine how to address these concerns. Mr. Andersen said multiplier products will likely be affected by the decisions related to the first two concerns. He said that a possible consensus will be found somewhere between current practice and forcing multiplier products illustrate similarly to non-multiplier products.

Mr. Serbinowski said he has heard a lot of discussion of risk/reward trade-off and given that the IUL is not a variable product it should not be marketed as an investment. He also said the discussion should not be about illustrating features but should focus on features versus expected return. He said that in his view what's happening with the IUL product is similar to what happened with Actuarial Guideline XXXVIII, The Application of the Valuation of Life Insurance Policies Model Regulation ("Model 830") (AG 38). Mr. Serbinowski asked if the illustration could provide a graphical depiction of the growth of policy values based on stochastic calculations would be more easily understandable for consumers. Ms. Megregian said appointed actuaries may have difficulty certifying probabilistic aspects of the illustration that may not be supported by the disciplined current scale.

Vincent Tsang said volatility is the major risk in the IUL product. He agreed that the appointed may not be able to certify the stochastic scenario. He said the current version of AG 49 allows the use of the last 60 years of S&P returns, and asked if something similar can be used to generate the stochastic calculations.

Birny Birnbaum (Center for Economic Justice—CEJ) said when looking at the products currently in the marketplace and seeing expected charges (other than premium charges) exceeding the premium it is difficult to say it is product innovation for the benefit of consumers instead of pseudo-innovation intended to game AG 49. He said the group's discussion of the concept of risk and return is muddled. He said when looking at other investments such as government bond or the S&P 500 the different risks and returns are understandable. He said, in contrast, comparing an IUL policy without a multiplier with an IUL policy with a 5% to 7% charge, the concept of risk and return is not as clear. He said believing that the additional charge provides a better return over the life of the policy does not make a lot of sense. He said that would require there to be an arbitrage opportunity that the multiplier takes advantage of, which is not possible since the marketplace would eliminate such an arbitrage opportunity. Mr. Andersen said he has done a historical study of these groups of products and has found that the concept of equity risk premium comes into play. He said the charges are leading to greater potential upside but also have greater possibilities of adverse surprises. He said he's concluded that the charges are being used to benefit consumers who desire potential upside. He said the concern for regulators is whether consumers are being misled by comparing two products without emphasizing the downside of the product with the multiplier. Mr. Birnbaum said he doesn't believe the upside of the multipliers must be greater than the cost of the multipliers. Mr. Andersen said the multiplier products are buying caps and derivatives in which the non-multiplier product would not invest. He said usually 95 to 96% of the underlying assets would be invested in the company general account, with the remainder of the funds are invested in derivatives to support the indexed returns. Mr. Andersen said the first area in which the group must make a key decision is whether the assets generated by the charges for the multiplier or other features should be allowed to accumulate at 145%.

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

Draft: 7/23/19

IUL Illustration (A) Subgroup  
Conference Call  
May 28, 2019

The IUL Illustration (A) Subgroup of the Life Actuarial (A) Task Force met via conference call May 28, 2019. The following Subgroup members participated: Fred Andersen, Chair and John Robinson (MN); Vincent Tsang (IL); Rhonda Ahrens (NE); Bill Carmello (NY); Peter Weber (OH); Mike Boerner and John Carter (TX); Tomasz Serbinowski (UT); and Craig Chupp (VA).

1. Discussed Issues Related to IUL Illustrations

Mr. Andersen said the Life Insurance and Annuities (A) Committee recognized in November 2018 that some features of Actuarial Guideline XLIX, The Application of the Life Illustrations Model Regulation to Policies with Index–Based Interest (AG 49), may not be working as intended for indexed universal life (IUL) policies. The Committee charged the Life Actuarial (A) Task Force to address the issue. The Task Force assigned the charge to the IUL Illustration (A) Subgroup. Mr. Andersen said one area of concern with IUL policies is the application of bonus or multiplier features after the AG 49 crediting rate, such that the features are not subject to the AG 49 limitations. As a result, accumulated values, cash values and target premiums differ from what was anticipated when AG 49 was developed. Mr. Andersen said that, based on a series of requests and comments, there seems to be an appetite for requiring additional disclosure, clarification or additional rules for IUL illustrations. At the Spring NAIC Meeting, he recommended creating a menu of options for addressing the IUL illustration issues. The IUL Illustration Menu of Options (Attachment One) was created from comments received from industry, regulators, and consumer representatives. He noted that the menu items are categorized as being “disclosure-based items” or “beyond disclosure items.” The subgroup decided to initially focus on the “beyond disclosure items”, which would potentially impact the illustrated scale or the disciplined current scale.

Mr. Andersen discussed the list of “beyond disclosure items”: 1) Clarifying whether charges can impact assumed earned interest underlying the disciplined current scale. He said it is not clear whether certain charges can be embedded in the hedge budget, which would lead to potentially higher accumulations; 2) Limiting the use of variable indexed loans; 3) Having consistent treatment of various IUL product types, which would put traditional IUL and products with multipliers, bonuses or high participation rates on a level playing field; 4) Applying AG 49 constraints to the cash value internal rate of return; 5) Illustrating volatile returns instead of returns based on constant growth; 6) Using Monte Carlo simulation instead of a singular credited rate; 7) Converging indexed annuity and indexed life insurance requirements; 8) Making structural changes to life illustrations; 9) Reviewing the Life Insurance Illustrations Model Regulation for possible changes; 10) Capping illustrated rates at 110% of the fixed account rate; and 11) Capping the growth of accumulated values at a fixed rate. Mr. Boerner suggested that, if a document is prepared for the Committee, the document could include a list of the benefits of the “beyond disclosure items.”

Scott Harrison (Harrison Law Office) said there is some concern from industry about the lack of clarity of what problem the Subgroup is attempting to solve. Mr. Andersen said the issue is related to companies increasing their market share by showing significantly increased accumulation values using multipliers or bonuses on top of the AG 49 crediting rates, resulting in rates being more optimistic than consumers may eventually experience. Birny Birnbaum (Center for Economic Justice–CEJ) said AG 49 was developed to combat the problem of unreasonable and unrealistic illustrations. He said post AG 49 products have been developed for the specific purpose of “juicing” illustrations. He said a consequence is that today’s products have higher accumulation values even though the credited rates are lower. He said there is an immediate need for action but also advocated a long-term approach which would include changes to the illustration model regulation. He noted that additional disclosure is ineffective in absence of changes to the model.

Mr. Andersen asked for comments on the pros and cons of items #13-16 of the IUL Illustrations Menu of Options by June 28.

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

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**MENU OF OPTIONS - IUL ILLUSTRATIONS - MAY 24, 2019**

ID	(D)isclosure* or (B)eyond Disclosure	Category	Possible Details	Requiring change beyond AG 49?	Undo past AG 49 decision?
1	D	Summary Page of key metrics	Compare accumulated value by duration & lapse duration under standardized scenarios		
2	D	Signatures required on key pages	On pages disclosing charges, loan impact, potential downside		
3	D	Disclose charges & credits	Including transparency regarding growth from the multipliers, bonuses, high par rate		
4	D	Demonstrate volatility	Add lower illustration, add multiple scenarios, disclose sequence of returns		
5	D	Project up and down index performance	Add two one-year projections: one increasing 20% for the year, the other decreasing 20%		
6	D	Clarify alternate scale	Same allocation as illustrated scale or 100% allocation to fixed option?		
7	D	Follow spirit of AG 49	Reasonable net returns and limitations on loan leverage		
8	D	Illustrate reasonable growth and minimal (guaranteed) growth	Zero growth should be one illustration if zero is the guarantee		
9	D	Update illustrations every x years	Possibly every 5 years		
10	D	Provide narrative statement on downside	Possibility of worse performance than illustrated, volatility, insufficient premium		
11	D	Disclose premium required to achieve goals	Under different credited interest assumptions	?	
12	D	Show cost and value of insurance instead of the risk-return tradeoff in investments	Compare the IUL and S&P 500 accumulations to the IUL guaranteed benefits		
13	B	Clarify whether charges can impact assumed earned interest underlying the DCS	Instead of hedge budget accumulated at 145%, budget + charges accumulated in some cases		
14	B	Limit the use of variable / index loans	Include all policy credits in the 1% arbitrage limit, plus other constraints		
15	B	Have consistent treatment of various IUL product types	Consistent illustrations & DCS testing for traditional, multipliers, bonuses, & high par rates		
16	B	Application of AG 49 constraints to cash value internal rate of return	Eliminate disconnect between credited rates and accumulated value		
17	B	Illustrate volatile returns, not constant growth	Replace illustrated scale with multiple illustrations showing upside and downside	x	
18	B	Use Monte Carlo simulations instead of single credited rate	Produce likelihood of policy surviving to certain age	x	
19	B	Converge indexed annuity and indexed life insurance illustration requirements	Have scales representing the worst, best, and average historical periods	x	
20	B	Make structural changes to life illustrations	Would be an A Committee decision & issue	x	
21	B	Review Life Illustrations Model Regulation #582	Would be an A Committee decision & issue	x	
22	B	Cap illustrated rates at 110% of fixed account rate	Eliminate the Benchmark Index Account and options return assumption within AG 49		x
23	B	Place hard ceiling on the credited rate & accumulated values	e.g., no credited rates of over 6.75% or accumulated value increases above x%		x

\* Disclosure means will not impact numbers in the illustrated scale or the disciplined current scale provided at sale

## Actuarial Guideline XLIX

### THE APPLICATION OF THE LIFE ILLUSTRATIONS MODEL REGULATION TO POLICIES WITH INDEX-BASED INTEREST

#### 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 external 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 as follows:

- i. Sections 4 and 5 shall be effective for all new business and in force life insurance illustrations on policies sold on or after September 1, 2015.
- ii. Effective March 1, 2017, Section 4 and Section 5 shall be effective for all in-force life insurance illustrations on policies within the scope of this actuarial guideline, regardless of the date the policy was sold.
- iii. Sections 6 and 7 shall be effective for all new business and in force life insurance illustrations on policies sold on or after March 1, 2016.

##### 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. Interest credits are linked to an external index or indices.

##### 3. Definitions

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

- i. The credited rate for each Index Account does not exceed the lesser of the maximum credited rate 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 credited rate for each Index Account shall not exceed the average of the maximum credited rate for the illustrated scale and the guaranteed credited rate for that account. However, the credited rate for each Index Account shall never be less than the guaranteed credited rate for that account.
  - ii. If the illustration includes a loan, the illustrated rate credited to the loan balance does not exceed the illustrated loan charge.
  - iii. All other non-guaranteed elements are equal to the non-guaranteed elements for the illustrated scale.
- B. Benchmark Index Account: An Index Account with the following features:
- i. The interest calculation is based on the percent change in S&P 500<sup>®</sup> Index value only, over a one-year period using only the beginning and ending index values. (S&P 500<sup>®</sup> 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. Account charges do not exceed the account charges for any corresponding Index Accounts within the policy in any policy year. If Index Accounts with different levels of account charges are offered with the illustrated policy, more than one Benchmark Index Account may be used in determining the maximum illustrated crediting rates for the policy's Index Accounts, subject to the requirements of 5.D.. However, for each Index Account within the policy, only one Benchmark Index Account shall apply. Any rate calculated in 4 (B) shall not apply for an Index Account if the account charges for the applicable Benchmark Index Account exceed the account charges for that Index Account in any policy year. Account charges include all charges applicable to an Index Account, whether deducted from policy values or from premiums or other amounts transferred into such Index Account.
  - vii. Additional amounts credited are not less than the additional amounts credited for any corresponding Index Accounts within the policy in any policy year. Any rate calculated in 4 (B) shall not apply for an Index Account if the additional amounts credited for the applicable Benchmark Index Account **are** less than the additional amounts credited for that Index Account in any policy year. Additional amounts include all credits that increase policy values, including but not limited to experience refunds or bonuses.
  - viii. There are no limitations on the portion of account value allocated to the account.
- C. Fixed Account: An account where the credited rate is not tied to an external index or indices.
- D. Index Account: An account where the credited rate is tied to an external index or indices.

#### 4. Illustrated Scale

The credited rate for the illustrated scale for each Index Account shall be limited as follows:

- A. Calculate the geometric average annual credited rate for each applicable 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 an applicable Benchmark Index Account with the illustrated policy, the illustration actuary shall use the current annual cap for the applicable Benchmark Index Account in 4 (A).

- ii. If the insurer does not offer an applicable 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 a Benchmark Index Account, and shall use that cap in 4 (A).
  - B. For each applicable Benchmark Index Account, the arithmetic mean of the geometric average annual credited rates calculated in 4 (A) shall be the maximum credited rate(s) for the illustrated scale.
  - C. For other Index Accounts using other equity, bond, and/or commodity indexes, and/or using other crediting methods, the illustration actuary shall use actuarial judgment to determine the maximum credited rate for the illustrated scale. The determination shall reflect the fundamental characteristics of the Index Account and the parameters shall have the appropriate relationship to the expected risk and return of the applicable Benchmark Index Account. In no event shall the credited rate for the illustrated scale exceed the applicable rate calculated in 4 (B).
  - D. 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 index-based interest, the assumed earned interest rate underlying the disciplined current scale shall not exceed 145% of the annual net investment earnings rate (gross portfolio earnings less provisions for investment expenses and default costs) of the general account assets (excluding hedges for index-based credits) allocated to support the policy.
  - B. If an insurer does not engage in a hedging program for index-based interest, the assumed earned interest rate underlying the disciplined current scale shall not exceed the annual net investment earnings rate of the general account assets allocated to support the policy.
  - C. These experience limitations shall be included when testing for self-support and lapse-support under Model #582, accounting for all benefits including illustrated bonuses.
  - D. If more than one Benchmark Index Account is used for an illustrated policy, each set of Index Accounts that correspond to each Benchmark Index Account must independently pass the self-support and lapse-support tests under Model #582, subject to the limitations in 5 (A), (B), and (C). All experience assumptions that do not directly relate to the Index Accounts as to expenses, mortality, investment earnings rate of the general account assets, lapses, and election of any Fixed Account shall equal the assumptions used in the testing for the entire policy.

6. Policy Loans

If the illustration includes a loan, the illustrated rate credited to the loan balance shall not exceed the illustrated loan charge by more than 100 basis points.

7. Additional Standards

The basic illustration shall also include the following:

- A. A ledger using the Alternate Scale shall be shown alongside the ledger using the illustrated scale with equal prominence.
- B. A table showing the minimum and maximum of the geometric average annual credited rates calculated in 4 (A).
- C. For each Index Account illustrated, a table showing actual historical index changes and corresponding hypothetical interest rates using current index parameters for the most recent 20-year period.

**Consider Adoption of the Experience Reporting (A)**  
**Subgroup Report**

**No Materials**

**Hear an Update on Accelerated Underwriting Data**  
**Elements**



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To: NAIC's Life Actuarial Task Force

From: Jean-Marc Fix, MAAA, FSA  
Co-Chairperson, Accelerated Underwriting Project Oversight Group

Tony Litterer, MAAA, FSA  
Co-Chairperson, Accelerated Underwriting Project Oversight Group

Mary Bahna-Nolan, MAAA, FSA, CERA  
Chairperson, American Academy of Actuaries' Life Experience Committee and Society of Actuaries'  
Preferred Mortality Oversight Group

Date: July 15, 2019

Re: Future Experience Study Data Elements

Dear Mr. Boerner:

The Accelerated Underwriting Project Oversight Group ("AUW POG"), a subgroup of the American Academy of Actuaries<sup>1</sup> Life Experience Committee and the Society of Actuaries<sup>2</sup> Preferred Mortality POG (the "Joint Committee"), is submitting this amendment to the data elements required within VM-51. The proposal takes into consideration input from the prior exposures, including priority of data importance and ease of ability to obtain from systems, and includes a phase-in approach before various data elements become mandatory. This amendment builds on the changes as outlined in APF 2018-59.

A critical challenge facing the life insurance industry is how to share experience in a meaningful and productive way. With the rapid pace of change in underwriting spanning various underwriting methods, being able to separate mortality into segments that make actuarial sense is a prerequisite to producing base experience data that is robust enough to be used from a regulatory and an industry perspective. It is important to incorporate additional data elements to better segment programs and allow for more robust modeling and analytics in determining applicable industry mortality. The information within this APF is intended to cover the range of underwriting for individual life products, including simplified issue, guaranteed issue, and fully underwritten with or without accelerated and algorithmic underwriting.

Collecting these data elements along with data routinely collected for mandatory and discretionary mortality studies may lead to industry mortality tables suitable across a range of underwriting regimes, from programs which use limited medical information to those that are fully underwritten.

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<sup>1</sup> The American Academy of Actuaries is a 19,500-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

<sup>2</sup> The Society of Actuaries (SOA) is an educational, research, and professional organization dedicated to serving the public, its members, and its candidates. The SOA's mission is to advance actuarial knowledge and to enhance the ability of actuaries to provide expert advice and relevant solutions for financial, business, and societal problems. The SOA's vision is for actuaries to be the leading professionals in the measurement and management of risk.

## **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.

Academy Life Experience Committee and SOA Preferred Mortality Project Oversight Group (“Joint Committee”)

Revision to data elements in VM-51 to accommodate and differentiate individual underwriting and allow more robust mortality data for development of Industry Mortality Tables.

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

January 1, 2019, version of the 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.)

Due to the number of changes, color coding is used in addition to redline or strikeout form for ease of understanding the changes. This APF is meant to work in conjunction with APF 2018-59. Any changes made to APF 2018-59 also apply to this APF. The changes are color-coded as follows:

- Cells highlighted in **green** correspond to those in APF 2019-XX;
- Cells highlighted in **blue** correspond to new data elements or changes from either the original VM-51 sections or those from APF 2018-59 (for example, renumbering)
- Cells highlighted in **yellow** and in strikethrough identify the text modified from APF 2018-59;
- Cells noted with **red** strikethrough or text correspond to deletions or edits to the existing VM-51 data elements.
- Additionally, for the new data elements, a column has been added to identify whether the data element would be provided retrospectively or prospectively and the timeline in which it would become mandatory (2021, 2023, or 2025).

This APF proposes data be provided at three different levels of granularity: policy level (Appendix 1), plan level (Appendix 2) and underwriting grid (age and amount requirement) level (Appendix 3). Note, the Appendix 2 changes are those as presented in complementary APF 2018-59. No further changes are being recommended to this section.

The primary modifications from APF 2018-59 are:

- 1.) APF 2018-59 restructures VM-51, Appendix 1 into sections. This APF maintains that structure and inserts a new Section 2 for underwriting information, shifting a change in the Item numbering and Column numbers throughout the remaining Sections in Appendix 1.
- 2.) Added Appendix 3, which provides the underwriting requirements by age and amount grouping.
- 3.) Minor movement of certain data items to group with other like items.

See Appendix.

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

The mortality outcome for any underwriting regime is a factor of many selection levers. The historical data elements collected under VM-51 are insufficient to enable distinguishing of and differentiation of the mortality by underwriting regimes. This lack of differentiation challenges the ability for a single mortality table to represent the various regimes and wide range of experience within a given regime (e.g., guaranteed

issue, simplified issue, simplified underwritten, accelerated underwritten, algorithmically underwritten, fully underwritten, COLI/BOLI, etc.). The wide diversity of underwriting methodology and carriers' frequent program modifications and refinements to predictive models creates additional noise in the underlying experience, making it difficult to perform advanced analytics to measure industry trends and true mortality changes.

The existing mandatory data elements within VM-51 are not at a sufficient level of detail to differentiate company experience based on differences in underwriting programs. While each data call has requested additional, voluntary data elements, the additional data elements have not been at the necessary level of detail nor have they been consistently provided by the carriers. While modest changes have been incorporated to the mandatory data elements over time, they have been slow to keep pace with the evolutions in underwriting and still do not capture several significant variables which are known to affect mortality from both traditional and nontraditional underwriting methods (e.g., marketing channel data, data sources used, data on specific program factors, lab data, when collected, application data, etc.). Changes are needed to collect data that will allow comparison to existing underwriting techniques, identify the variables which truly impact and differential mortality, allow comparisons of mortality between various regimes, and allow for industry mortality experience tables which are more reflective of actual experience.

The proposed changes have been developed recognizing underwriting practices are changing and the use of alternative data sources and algorithms is still emerging. Data elements have been prioritized in terms of expected ease for carriers to obtain the data, expected importance of the data element on resulting mortality and to allow time for certain practices to emerge. Most of the additional data elements are recommended to be prospective in nature, though some are retrospective. In addition, timing, based on expected data availability, is suggested as beginning with the 2021 data call, 2023 data call, or 2025 data call. This phasing recognizes the likely need for carriers to prioritize and program the collection of certain added data elements for study purposes. This phasing also reduces the length of time between which carriers begin to use new data sources or algorithmic techniques and when experience begins to emerge.

\* 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:**

<b>Dates:</b> Received	Reviewed by Staff	Distributed	Considered
<b>Notes:</b>			

W:\National Meetings\2010\...\TF\LHA\

## Appendix

## VM-51: Experience Reporting Formats

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### Section 1: Introduction

- A. The experience reporting requirements are defined in Section 3 of VM-50. The experience reporting requirements state that the Experience Reporting Agent will collect experience data based on statistical plans that are defined in VM-51 of the *Valuation Manual*. Statistical plans are to be added to VM-51 of the *Valuation Manual* when they are ready to be implemented.
- B. Each statistical plan shall contain the following information:
1. The type of experience data to be collected (e.g., mortality experience; policy behavior experience, such as surrenders, lapses, conversions, premium payment patterns, etc.; and company expense experience, such as commission expense, policy issue and maintenance expense, company overhead expenses etc.);
  2. The scope of business to be included in the experience data to be collected (e.g., line(s) of business, such as individual or group, life, annuity or health; product type(s), such as term, whole life, universal life, indexed life, variable life, fixed annuity, indexed annuity, variable annuity, LTC or disability income; and type of underwriting, such as medically underwritten, simplified issue (SI), GI, accelerated, etc.);
  3. The criteria for determining which companies or legal entities must submit the experience data to be collected;
  4. The process for submitting the experience data to be collected, which will include the frequency of the data collection, the due dates for data collection and how the data is to be submitted to the Experience Reporting Agent;
  5. The individual data elements and format for each data element that will be contained in each experience data record, along with detailed instructions defining each data element or how to code each data element. Additional information may be required, such as questionnaires and plan code forms that will assist in defining the individual data elements that may be unique to each company or legal entity submitting such experience data elements;
  6. The experience data reports to be produced.

### Section 2: Statistical Plan for Mortality

- A. Type of Experience Collected Under This Statistical Plan

The type of experience to be collected under this statistical plan is mortality experience.

- B. Scope of Business Collected Under This Statistical Plan

The **scope of** data **to be collected under** this statistical plan is **the**-individual ordinary life line of business.  
**included in scope**

- Direct written business issued in the U.S.
- Assumption reinsurance of an individual ordinary life line of business, where the assuming company is legally responsible for all benefits and claims paid;
- Policies issued as conversions from term or group contracts;
- Term/paid up riders or additional amounts of insurance purchased through dividend options; and
- Terminations (both death and non-death)

**Not included in scope:**

- Separate lines of business, such as SI/GI, worksite, individually solicited group life, direct response, final expense, pre-need, home service, credit life and COLI/BOLI/charity-owned life insurance (CHOLI);
- Reinsurance assumed from a ceding company, to avoid double-counting of experience submitted by an issuer and by its reinsurers;
- Policies that cover more than two lives on the base policy segment; and
- Child term riders.

~~Such business is to include direct written business issued in the U.S., and all values should be prior to any reinsurance ceded. Therefore, reinsurance assumed from a ceding company shall be excluded from data collection to avoid double-counting of experience submitted by an issuer and by its reinsurers; however, assumption reinsurance of an individual ordinary life line of business, where the assuming company is legally responsible for all benefits and claims paid, shall be included within the scope of this statistical plan. The ordinary life line of business does not include separate lines of business, such as SI/GI, worksite, individually solicited group life, direct response, final expense, pre-need, home service, credit life and COLI/BOLI/charity-owned life insurance (CHOLI). Each company is to submit data for in-force and terminated life insurance policies that are within the scope defined in Section 2.B policies in scope, except:~~

- i. For policies issued before Jan. 1, 1990, companies may certify that submitting data presents a hardship due to fields not readily available in their systems/databases or legacy computer systems that continue to be used for older issued policies and differ from computer systems for newer issued policies.
- ii. For policies issued on or after Jan. 1, 1990, companies must:
  - a) Document the percentage that the face amount of policies excluded are relative to the face amount of submitted policies issued on or after Jan. 1, 1990; and
  - b) Certify that this requirement presents a hardship due to fields not readily available in their systems/databases or legacy computer systems that continue to be used for older issued policies and differ from computer systems for newer issued policies.

**C. Criteria to Determine Companies That Are Required to Submit Experience Data**

Companies with less than \$50 million of direct individual life premium shall be exempted from reporting experience data required under this statistical plan. This threshold for exemption shall be measured based on aggregate premium volume of all affiliated companies and shall be reviewed annually and be subject to change by the Experience Reporting Agent. At its option, a group of nonexempt affiliated companies may exclude from these requirements affiliated companies with less than \$10 million direct individual life premium provided that the affiliated group remains nonexempt.

Additional exemptions may be granted by the Experience Reporting Agent where appropriate, following consultation with the domestic insurance regulator, based on achieving a target level of approximately 85% of industry experience for the type of experience data being collected under this statistical plan.

**D. Process for Submitting Experience Data Under This Statistical Plan**

Data for this statistical plan for mortality shall be submitted on an annual basis. Each company required to submit this data shall submit the data using the Regulatory Data Collection (RDC) online software submission application developed by the Experience Reporting Agent. For each data file submitted by a company, the Experience Reporting Agent will perform reasonability and completeness checks, as defined in Section 4 of VM-50, on the data. The Experience Reporting Agent will notify the company within 30 days following the data submission of any possible errors that need to be corrected. The Experience Reporting Agent will compile and send a report listing potential errors that need correction to the company.

Data for this statistical plan for mortality will be compiled using a calendar year method. The reporting calendar year is the calendar year that the company submits the experience data. The observation calendar year is the calendar year of the experience data that is reported. The observation calendar year will be two years prior to the reporting calendar year. For example, if the current calendar year is 2018 and that is the reporting calendar year, the company is to report the experience data ~~that was for policies that were~~ in-force or issued in calendar year 2016, which is the observation calendar year.

Given an observation calendar year of 20XX, the calendar year method requires reporting of experience data as follows:

- i. Report policies in force during or issued during calendar year 20XX.
- ii. Report ~~terminations policies~~ that ~~were incurred-terminated~~ in calendar year 20XX and reported before July 1, 20XX+1. However, exclude rescinded policies (e.g., 10-day free look exercises) from the data submission.

For any reporting calendar year, the data call will occur during the second quarter, and data is to be submitted according to the requirements of the *Valuation Manual* in effect during that calendar year. Data submissions must be made by Sept. 30 of the reporting calendar year. Corrections of data submissions must be completed by Dec. 31 of the reporting calendar year.

#### E. Experience Data Elements and Formats Required by This Statistical Plan

Companies subject to reporting pursuant to the criteria stated in Section 2.C are required to complete ~~the data elements and formats forms~~ in Appendix 1 and Appendix 2 ~~and Appendix 3~~ as appropriate, and also complete the ~~Experience Data Elements and Formats as defined in~~ underwriting specification data elements as defined in Appendix 4.3.

~~The data should include policies issued as standard, substandard (optional) or sold within a preferred class structure. Preferred class structure means that, depending on the underwriting results, a policy could be issued in classes ranging from a best preferred class to a residual standard class. Policies issued as part of a preferred class structure are not to be classified as substandard.~~

~~Policies issued as conversions from term or group contracts should be included. For these converted policies, the issue date should be the issue date of the converted policy, and the underwriting field will identify them as issues resulting from conversion.~~

~~Generally, each policy number represents a policy issued as a result of ordinary underwriting. If a single life policy, the base policy on a single life has the policy number and a segment number of 1. On a joint life policy, each life has separate records with the same policy number. The base policy on the first life has a segment number of 1, and the base policy on the second life has a segment number of 2. Policies that cover more than two lives are not to be submitted. Term paid up riders or additional amounts of insurance purchased through dividend options on a policy issued as a result of ordinary underwriting are to be submitted. Each rider is on a separate record with the same policy number as the base policy and has a unique segment number. The details on the rider record may differ from the corresponding details on the base policy record. If underwriting in addition to the base policy underwriting is done, the coverage is given its own policy number. Terminations (both death and non-death) are to be submitted. Terminations are to include those that occurred in the observation year and were reported by June 30 of the year after the observation year.~~

~~Plans of insurance should be carefully matched with the three-digit codes in item 19, Plan. These plans of insurance are important because they will be used not only for mortality experience data collection, but also for policyholder behavior experience data collection. It is expected that most policies will be matched to three-digit codes that specify a particular policy type rather than select a code that indicates a general plan type.~~

F. Experience Data Reports Required by This Statistical Plan

1. Using the data collected under this statistical plan, the Experience Reporting Agent will produce an experience data report that aggregates the experience data of all companies whose data have passed all of the validity and reasonableness checks outlined in Section 4 of VM-50 and has been determined by the Experience Reporting Agent to be acceptable to be used in the development of industry mortality experience.
2. The Experience Reporting Agent will provide to the SOA or other actuarial professional organizations an experience data report of aggregated experience that does not disclose a company's identity, which will be used to develop industry mortality experience and valuation mortality tables.
3. As long as a company is licensed in a state, that state insurance regulator will be given access to a company's experience data that is stored on a confidential database at the Experience Reporting Agent. Access by the state insurance regulator will be controlled by security credentials issued to the state insurance regulator by the Experience Reporting Agent.

~~Appendix 1: Preferred Class Structure Questionnaire~~

**Commented [MB1]:** Strikethrough of text omitted for brevity as entire Appendix deleted.

~~Appendix 2: Mortality Claims Questionnaire~~

**Commented [MB2]:** Strikethrough of text omitted for brevity as entire appendix deleted.

~~Appendix 3: Additional Plan Code Form~~

**Commented [MB3]:** Strikethrough of text omitted for brevity as entire appendix deleted.

**Appendix 1: Mortality Data Elements and Format**

**Section 1. Basic Policy Information**

Round all dollar amounts to the nearest dollar. All values should be prior to any reinsurance codes.

If an item is unknown, leave blank unless otherwise specified.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION	PROSPECTIVE / RETROSPECTIVE PHASE IN PERIOD
1	1-5	5	NAIC Company Code	Your NAIC Company Code	
2	6-9	4	Observation Year	Enter Calendar Year of Observation	
3	10-29	20	Policy Number	Enter Policy Number. For Policy Numbers with length less than 20, left justify the number, and blank fill the empty columns. Any other unique identifying number can be used instead of a Policy Number for privacy reasons.	

**Commented [MA4]:** For elements that may not be readily available, the phase in period identifies the year in which this element will be required

**Section 1. Basic Policy Information**

Round all dollar amounts to the nearest dollar. All values should be prior to any reinsurance codes.

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ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION	PROSPECTIVE / RETROSPECTIVE PHASE IN PERIOD
4	30-32	3	Segment Number	<p>If only one policy segment exists, enter segment number '1.' For a single life policy, the base policy is to be put in the record with segment number '1.' Subsequent policy segments are in separate records with information about that coverage and differing segment numbers.</p> <p>For joint life policies, the base policy of the first life is to be put in a record with segment number '1,' and the base policy of the second life is to be put in a separate record with segment number '2.' Joint life policies with more than two lives are not to be submitted. Subsequent policy segments are in separate records with information about that coverage and differing segment numbers.</p> <p>a) Single life policies;                      b) Joint life policies;                      c) Term/paid up riders; or                      d) Additional amounts of insurance including purchase through dividend options.</p> <p>A policy segment is a layer of coverage that represents a unique combination of Items 3, 5, 6, and 16. Assign each policy segment a unique integer starting with '1' for the base policy coverage. Use the same segment number for each policy segment in all Observation Years. Note that additional amounts of insurance should be reported in a separate policy segment, rather than added to the base coverage or reported in a new policy number. If only one policy segment exists, enter segment number '1.' For a single life policy, the base policy is to be put in the record with segment number '1.' Subsequent policy segments are in separate records with information about that coverage and differing segment numbers.</p> <p>For joint life policies, the base policy of the first life is to be put in a record with segment number '1,' and the base policy of the second life is to be put in a separate record with segment number '2.' Joint life policies with more than two lives are not to be submitted. Subsequent policy segments are in separate records with information about that coverage and differing segment numbers.</p> <p>Policy segments with the same policy number are to be submitted for Single life policies;                      Joint life policies;                      Term/paid up riders; or                      Additional amounts of insurance including purchase through dividend options.</p>	

**Commented [MA4]:** For elements that may not be readily available, the phase in period identifies the year in which this element will be required

**Section 1. Basic Policy Information**

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ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION	PROSPECTIVE / RETROSPECTIVE PHASE IN PERIOD
4	33-34	1	Segment Type	01 = Base policy coverage 02 = Primary insured additional term rider 03 = Other insured permanent rider 04 = Other insured term rider 0405 = Accidental death and dismemberment rider 065 = Additional amounts of insurance purchased with dividends 07 = Additional amounts of insurance purchased as the result of exercising a guaranteed insurability option 068 = Additional amounts of insurance purchased after issue 029 = Other (life insurance coverage only)	
5	35	1	Segment Life	Assign each insured a unique integer starting with 1 for the primary insured.  Note: Although joint life policies insuring more than two lives on the base policy are not to be submitted, additional segment lives are possible for policies with certain riders (e.g., an other insured term rider may insure a third segment life).	
7	36	1	Type of Application	0 = Unknown 1 = Paper 2 = Electronic (Fillable PDF) 3 = Online Internet 4 = Phone Application	Prospective 2023
8	37	1	Applicant Type	0 = Unknown 1 = Individual Consumer 2 = Member of Employee Group (including worksite) 3 = Member of Association Group 4 = COLI 5 = BOLI 6 = Trust Owned 7 = Other	Prospective 2023
9	38-45	8	Application Signed Date	YYYYMMDD	Retrospective
6 7 10	36-37 46-47	2	State of Issue	Use standard, two-letter state abbreviations codes (e.g., NY for New York)	
46 8 11	38-39 48-49	1	State of Domestic Current Resident State	Use standard, two-letter state abbreviations codes (e.g., FL for Florida) for the state of the policy owner's domicile.  Enter the standard, two-letter state abbreviation (e.g., FL for Florida) for the segment life's current resident state.  If outside of the U.S., leave blank.	

**Commented [MA4]:** For elements that may not be readily available, the phase in period identifies the year in which this element will be required

**Section 1. Basic Policy Information**

Round all dollar amounts to the nearest dollar. All values should be prior to any reinsurance codes.

If an item is unknown, leave blank, unless otherwise specified.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION	PROSPECTIVE / RETROSPECTIVE PHASE IN PERIOD
6 9 12	40 50	1	Gender	0 = Unknown or unable to subdivide 1 = Male 2 = Female 3 = Unisex – Unknown or unable to identify 4 = Unisex – Male 5 = Unisex – Female	
7 10 13	41-48 51-58	8	Date of Birth	Enter the numeric date of birth in YYYYMMDD format	
8 11 14	49 59	1	Age Basis	0 = Age Nearest Birthday 1 = Age Last Birthday 2 = Age Next birthday  <b>Drafting Note:</b> Professional actuarial organization will need to develop either age next birthday mortality tables or procedure to adapt existing mortality tables to age next birthday basis.	
9 12 15	50-52 60-62	3	Issue Age	Enter the <b>insured</b> <b>insurance segment life</b> Issue Age	
10 13 16	53-60 63-70	8	<b>Segment</b> Issue Date	Enter the numeric calendar year in YYYYMMDD format  Enter the numeric calendar year segment issue date in YYYYMMDD format.	
11 14 17	61 71	1	Smoker Status (at issue)	Smoker status should be submitted where reliable. 0 = Unknown 1 = No tobacco usage 2 = Nonsmoker 3 = Cigarette smoker 4 = Tobacco user	
12	62	1	<b>Preferred-Class Structure Indicator</b>	<b>Preferred class structure means that, depending on the underwriting results, a policy could be issued in classes ranging from a best preferred class to a residual standard class.</b>  0 – If no reliable information on multiple preferred and standard classes is available, or if the policy segment was issued substandard (Item 18 is 1 or 2), or if there were no multiple preferred and standard classes available for this policy segment or if preferred information is unknown.  1 – If this policy was issued in one of the available multiple preferred and standard classes for this policy segment.  <b>Note:</b> If Preferred-Class Structure Indicator is 0, or if preferred information is unknown, leave next four items blank.	

**Commented [MA4]:** For elements that may not be readily available, the phase in period identifies the year in which this element will be required

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**Section 1. Basic Policy Information**

Round all dollar amounts to the nearest dollar. All values should be prior to any reinsurance cedes.

If an item is unknown, leave blank unless otherwise specified.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION	PROSPECTIVE / RETROSPECTIVE PHASE IN PERIOD
13	55	1	Number of Classes in Nonsmoker Preferred Class Structure	<p>If Preferred Class Structure Indicator is 0 or if Smoker Status is 0, 3 or 4, or if preferred information is unknown, leave blank.</p> <p>For nonsmoker or no tobacco usage policies that could have been issued as one of multiple preferred and standard classes, enter the number of nonsmoker preferred and standard classes available at time of issue.</p>	
1212	57	1	Preferred Class Structure Indicator	<p>Preferred class structure means that, depending on the underwriting results, a policy could be issued in classes ranging from a best preferred class to a residual standard class.</p> <p>0— If no reliable information on multiple preferred and standard classes is available, or if the policy segment was issued substandard (Item 13 is 1 or 2), or if there were no multiple preferred and standard classes available for this policy segment or if preferred information is unknown.</p> <p>1— If this policy was issued in one of the available multiple preferred and standard classes for this policy segment.</p> <p>Note: If Preferred Class Structure Indicator is 0, or if preferred information is unknown, leave next four items blank.</p>	
1313	58	1	Number of Classes in Nonsmoker Preferred Class Structure	<p>If Preferred Class Structure Indicator is 0 or if Smoker Status is 0, 3 or 4, or if preferred information is unknown, leave blank.</p> <p>For nonsmoker or no tobacco usage policies that could have been issued as one of multiple preferred and standard classes, enter the number of nonsmoker preferred and standard classes available at time of issue.</p>	

**Commented [MA4]:** For elements that may not be readily available, the phase in period identifies the year in which this element will be required

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**Section 1. Basic Policy Information**

Round all dollar amounts to the nearest dollar. All values should be prior to any reinsurance codes.

If an item is unknown, leave blank unless otherwise specified.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION	PROSPECTIVE / RETROSPECTIVE PHASE IN PERIOD
14 15 18	62 72	1	Nonsmoker Preferred Class	<p>If Preferred Class Structure Indicator is 0 or if Smoker Status is 0, 3 or 4, or if preferred information is unknown, leave blank.</p> <p>If Preferred Class Structure Indicator is 0 or is unknown or unreliable, policy segment was issued substandard, or if Smoker Status is 0, 3 or 4 or if preferred information is unknown, leave blank.</p> <p>If policy segment was not issued as one of multiple preferred and standard classes then enter 0.</p> <p>For nonsmoker policy segments that could have been issued as one of multiple preferred and standard classes:</p> <p>1 = Best preferred class                  2 = Next Best preferred class after 1                  3 = Next Best preferred class after 2                  4 = Next Best preferred class after 3                  5 = Next Best preferred class after 4                  6 = Next Best preferred class after 5                  7 = Next Best preferred class after 6                  8 = Next Best preferred class after 7                  9 = Next Best preferred class after 8</p> <p>Note: The policy segment with the highest nonsmoker Preferred Class number should have that number equal to the Number of Classes in Nonsmoker Preferred Class Structure.</p>	
1515	60	1	Number of Classes in Smoker Preferred Class Structure	<p>If Preferred Class Structure Indicator is 0 or if Smoker Status is 0, 1 or 2, or if preferred information is unknown, leave blank.</p> <p>For smoker or tobacco user policies that could have been issued as one of multiple preferred and standard classes, enter the number of smoker preferred and standard classes available at time of issue.</p>	
15	60	1	Number of Classes in Smoker Preferred Class Structure	<p>If Preferred Class Structure Indicator is 0 or if Smoker Status is 0, 1 or 2, or if preferred information is unknown, leave blank.</p> <p>For smoker or tobacco user policies that could have been issued as one of multiple preferred and standard classes, enter the number of smoker preferred and standard classes available at time of issue.</p>	

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**Commented [MA13]:** Moved this item to plan table

**Section 1. Basic Policy Information**

Round all dollar amounts to the nearest dollar. All values should be prior to any reinsurance codes.

If an item is unknown, leave blank unless otherwise specified.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION	PROSPECTIVE / RETROSPECTIVE PHASE IN PERIOD
16 19	63 73	1	Smoker Preferred Class	<p>If Preferred Class Structure Indicator is 0 or if Smoker Status is 0, 1 or 2, or if preferred information is unknown, leave blank. If Preferred Class Structure Indicator is 0 or if Smoker Status is 0, 1 or 2, or if preferred information is unknown, leave blank. If Preferred Class Structure Indicator is 0 or if Smoker Status is 0, 1 or 2, or if preferred information is unknown, leave blank.</p> <p>If Preferred Class Structure is unknown or unreliable, policy segment was issued substandard, or if Smoker Status is 0, 1 or 2 leave blank.</p> <p>If policy segment was not issued as one of multiple preferred and standard classes then enter 0.</p> <p>For smoker policy segments that could have been issued as one of multiple preferred and standard classes:</p> <p>1 = Best preferred class                  2 = Next Best preferred class after 1                  3 = Next Best preferred class after 2                  4 = Next Best preferred class after 3                  5 = Next Best preferred class after 4                  6 = Next Best preferred class after 5                  7 = Next Best preferred class after 6                  8 = Next Best preferred class after 7                  9 = Next Best preferred class after 8</p> <p>Note: The policy segment with the highest Smoker Preferred Class number should have that number equal to the Number of Classes in Smoker Preferred Class Structure.</p>	

**Commented [MA4]:** For elements that may not be readily available, the phase in period identifies the year in which this element will be required

**Section 1. Basic Policy Information**

Round all dollar amounts to the nearest dollar. All values should be prior to any reinsurance codes.

If an item is unknown, leave blank unless otherwise specified.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION	PROSPECTIVE / RETROSPECTIVE PHASE IN PERIOD
17	64-65	2	Type of Underwriting Requirements	<p>If underwriting requirement of ordinary business is reliably known, use code other than "99." Ordinary business does not include separate lines of business, such as simplified issue/guaranteed issue, worksite, individually solicited group life, direct response, final expense, pre-need, home service and COLI/BOLI/CHOLI. If underwriting requirement of ordinary business is reliably known, use code other than "99." Ordinary business does not include separate lines of business, such as simplified issue/guaranteed issue, worksite, individually solicited group life, direct response, final expense, pre-need, home service and COLI/BOLI/CHOLI.</p> <p>If underwriting requirement of ordinary business is reliably known, use code other than "99." Ordinary business does not include separate lines of business, such as simplified issue/guaranteed issue, worksite, individually solicited group life, direct response, final expense, pre-need, home service and COLI/BOLI/CHOLI.</p> <p>01 = Traditionally Underwritten, but unknown whether fluid was collected                      02 = Traditionally Underwritten with no fluid collection                      03 = Traditionally Underwritten with fluid collected                      04 = Simplified Issue                      05 = Guaranteed Issue                      06 = Accelerated Underwriting                      07 = Underwritten as hold-out from Accelerated Underwriting                      06-08 = Term Conversion                      079 = Group Conversion                      10 = Exercise of a Guaranteed Insurability Option                      09-11 = Not Underwritten                      99 = For issues where underwriting requirement unknown or unable to subdivide</p>	
18 18 20	66 74	1	Substandard Indicator	<p>0 = Policy segment is not substandard                      1 = Policy segment is substandard                      2 = Policy segment is uninsurable</p> <p>If Preferred Class Structure Indicator is 1, policy was issued as part of a preferred class structure. Substandard Indicator should be 0.</p> <p>Notes:                      All policy segments that are substandard need to be identified as substandard or uninsurable.</p> <p>Submission of substandard policies is optional.</p> <p>If feasible, identify substandard policy segments where temporary flat extra has ceased as substandard.</p>	

**Commented [MA4]:** For elements that may not be readily available, the phase in period identifies the year in which this element will be required

**Commented [MB14]:** Movd to Secion 2 Underriting Information, Item 60.

**Section 1. Basic Policy Information**

Round all dollar amounts to the nearest dollar. All values should be prior to any reinsurance codes.

If an item is unknown, leave blank unless otherwise specified.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION	PROSPECTIVE / RETROSPECTIVE PHASE IN PERIOD
21	75-77	3	Extra Mortality Table Rating	<p>If Substandard Indicator, is 1, and the extra mortality percentage is known, then enter the mortality rating as a percentage of the standard mortality (e.g. if the risk is classified as exhibiting 150% of standard mortality, enter '150').</p> <p>If Substandard Indicator, is 1, and the extra mortality percentage is unknown, enter 000.                      If Substandard Indicator, is 0, enter 100.                      If Substandard Indicator, is 2, leave blank.</p>	Retrospective
22	78	1	Type of Flat Extra Mortality	<p>If Substandard Indicator, is 1, and the policy segment was issued with an extra flat mortality rate per 1000 of insurance amount and is currently in effect: enter the current permanent or temporary extra mortality per 1000 of insurance (e.g. if the risk is being charged an extra \$4.50 per 1000 of insurance, enter '00450'). If the flat extra rate is unknown, enter '00000'.</p> <p>If Substandard Indicator is not 1, then leave blank.</p>	Retrospective
23	79-81	3	Rated Issue Age	<p>If Substandard Indicator, is 1, and the policy segment was issued at an age rate higher than to the actual issue age, and which is currently in effect: enter the rated issue age at which the policy was issued.(e.g. if the actual issue age is 45 and the rates are based on issue age 50, enter '050'). If the rates issue age is unknown, enter '000'.</p> <p>If Substandard Indicator is not 1, then leave blank.</p>	Retrospective
19		1	Plan		

**Commented [MA4]:** For elements that may not be readily available, the phase in period identifies the year in which this element will be required

**Commented [MA15]:** Did not include extensive list of plan descriptions.

49 2419	67-76 82-91 65-67	103	Base Plan Plan Identifier	<p>Fixes to Item 23 from 99—If unable to distinguish among plan types listed below</p> <p>01—Term life</p> <p>02—Whole life</p> <p>03—Eeonlife (combination of permanent life and term life)</p> <p>04—Excess interest whole life</p> <p>05—Universal life</p> <p>06—Extended term (nonforfeiture)</p> <p>07—Reduced paid-up (nonforfeiture) 07E—Excludes from contribution: spouse and children under family policies or riders. If Form for Additional Plan Codes was submitted for this policy, enter unique three-digit plan number(s) that differ from the plan numbers below</p> <p>000—If unable to distinguish among plan types listed below</p> <p>100—Joint life plan unable to distinguish among joint life plan types listed below</p> <p><b>Permanent Plans:</b></p> <p>010—Traditional fixed premium fixed benefit permanent plan</p> <p>011—Permanent life (traditionally) with term</p> <p>012—Single premium whole life</p> <p>013—Eeonlife (permanent life with lower premiums in the early durations)</p> <p>014—Excess interest whole life 015—First to die whole life plan (submit separate records for each life)</p> <p>016—Second to die whole life plan (submit separate records for each life)</p> <p>017—Joint whole life plan—unknown whether 015 or 016 (submit separate records for each life)</p> <p>018—Permanent products with non-level death benefits</p> <p>019—Permanent plans 010, 011, 012, 013, 014, 015, 016, 017, 018 combined (i.e. unable to separate)</p> <p><b>Term Insurance Plans:</b></p> <p>020—Term (traditional level benefit and attained age premium)</p> <p>021—Term (level death benefit with guaranteed level premium for five years and anticipated level term period for five years)</p> <p>021—Term (level death benefit with guaranteed level premium for five years and anticipated level term period for 10 years)</p> <p>022—Term (level death benefit with guaranteed level premium for five years and anticipated level term period for 15 years)</p> <p>023—Term (level death benefit with guaranteed level premium for five years and anticipated level term period for 20 years)</p>
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			<p>214—Term (level death benefit with guaranteed level premium for five years and anticipated level term period for 25 years)</p> <p>215—Term (level death benefit with guaranteed level premium for five years and anticipated level term period for 30 years)</p> <p>022—Term (level death benefit with guaranteed level premium for 10 years and anticipated level term period for 10 years)</p> <p>221—Term (level death benefit with guaranteed level premium for 10 years and anticipated level term period for 15 years)</p> <p>222—Term (level death benefit with guaranteed level premium for 10 years and anticipated level term period for 20 years)</p> <p>223—Term (level death benefit with guaranteed level premium for 10 years and anticipated level term period for 25 years)</p> <p>224—Term (level death benefit with guaranteed level premium for 10 years and anticipated level term period for 30 years)</p> <p>023—Term (level death benefit with guaranteed level premium for 15 years and anticipated level term period for 15 years)</p> <p>231—Term (level death benefit with guaranteed level premium for 15 years and anticipated level term period for 20 years)</p> <p>232—Term (level death benefit with guaranteed level premium for 15 years and anticipated level term period for 25 years)</p> <p>233—Term (level death benefit with guaranteed level premium for 15 years and anticipated level term period for 30 years)</p> <p>024—Term (level death benefit with guaranteed level premium for 20 years and anticipated level term period for 20 years)</p> <p>241—Term (level death benefit with guaranteed level premium for 20 years and anticipated level term period for 25 years)</p> <p>242—Term (level death benefit with guaranteed level premium for 20 years and anticipated level term period for 30 years)</p> <p>025—Term (level death benefit with guaranteed level premium for 25 years and anticipated level term period for 25 years)</p> <p>251—Term (level death benefit with guaranteed level premium for 25 years and anticipated level term period for 30 years)</p> <p>026—Term (level death benefit with guaranteed level premium for 30 years and anticipated level term period for 30 years)</p>	
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			<p>027— Term (level death benefit with guaranteed level premium period equal to anticipated level term period where the period is other than five, 10, 15, 20, 25 or 30 years)</p> <p>271— Term (level death benefit with guaranteed level premium period not equal to anticipated level term period where the periods are other than five, 10, 15, 20, 25 or 30 years)</p> <p>028— Term (decreasing benefit)</p> <p>040— Select ultimate term (premium depends on issue age and duration)</p> <p>041— Return of Premium Term (level death benefit with guaranteed level premium for 15 years)</p> <p>042— Return of Premium Term (level death benefit with guaranteed level premium for 20 years)</p> <p>043— Return of Premium Term (level death benefit with guaranteed level premium for 25 years)</p> <p>044— Return of Premium Term (level death benefit with guaranteed level premium for 30 years)</p> <p>045— Return of Premium Term (level death benefit with guaranteed level premium for period other than 15, 20, 25 or 30 years)</p> <p>046— Economic term</p> <p>059— Term plan, unable to classify</p> <p>101— First to die term plan (submit separate records for each life)</p> <p>102— Second to die term plan (submit separate records for each life)</p> <p>103— Joint term plan—unknown whether 101 or 102 (submit separate records for each life)</p> <p><b>Universal Life Plans (Other than Variable), issued without a Secondary Guarantee:</b></p> <p>061— Single premium universal life</p> <p>062— Universal life (decreasing risk amount)</p> <p>063— Universal life (level risk amount)</p> <p>064— Universal life—unknown whether code 062 or 063</p> <p>065— First to die universal life plan (submit separate records for each life)</p> <p>066— Second to die universal life plan (submit separate records for each life)</p> <p>067— Joint life universal life plan—unknown whether code 065 or 066 (submit separate records for each life)</p> <p>068— Indexed universal life</p> <p><b>Universal Life Plans (Other than Variable) with Secondary Guarantees:</b></p> <p>071— Single premium universal life with secondary guarantee</p>
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			<p>072 — Universal life with secondary guarantees (decreasing risk amount)</p> <p>073 — Universal life with secondary guarantees (level risk amount)</p> <p>074 — Universal life with secondary guarantees— unknown whether code 072 or 073</p> <p>075 — First to die universal life plan with secondary guarantees (submit separate records for each life)</p> <p>076 — Second to die universal life plan with secondary guarantees (submit separate records for each life)</p> <p>077 — Joint life universal life plan with secondary guarantees unknown whether code 075 or 076 (submit separate records for each life)</p> <p>078 — Indexed universal life with secondary guarantees</p> <p><b>Variable Life Plans issued without a Secondary Guarantee:</b></p> <p>080 — Variable life</p> <p>081 — Variable universal life (decreasing risk amount)</p> <p>082 — Variable universal life (level risk amount)</p> <p>083 — Variable universal life— unknown whether code 081 or 082</p> <p>084 — First to die variable universal life plan (submit separate records for each life)</p> <p>085 — Second to die variable universal life plan (submit separate records for each life)</p> <p>086 — Joint life variable universal life plan— unknown whether 084 or 085 (submit separate records for each life)</p> <p><b>Variable Life Plans with Secondary Guarantees:</b></p> <p>090 — Variable life with secondary guarantees</p> <p>091 — Variable universal life with secondary guarantees (decreasing risk amount)</p> <p>092 — Variable universal life with secondary guarantees (level risk amount)</p> <p>093 — Variable universal life with secondary guarantees— unknown whether code 091 or 092</p> <p>094 — First to die variable universal life plan with secondary guarantees (submit separate records for each life)</p> <p>095 — Second to die variable universal life plan with secondary guarantees (submit separate records for each life)</p> <p>096 — Joint life variable universal life plan with secondary guarantees— unknown whether code 094 or 095 (submit separate records for each life)</p> <p><b>Nonforfeiture:</b></p> <p>098 — Extended term</p> <p>099 — Reduced paid-up</p>
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**Section 1. Basic Policy Information**

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ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION	PROSPECTIVE / RETROSPECTIVE PHASE IN PERIOD
				<p>198 – Extended term for joint life (submit separate records for each life)</p> <p>199 – Reduced paid-up for joint life (submit separate records for each life) plan table</p> <p>If there is no match in plan table, this record is subject to being rejected.</p>	
25	92-101	10	Plan Code	Company's plan code used for this policy	Retrospective
20 26	77-78 102-103	1	Product Type	<p>00 – If unable to distinguish among plan types listed below</p> <p>01 – Term life</p> <p>02 – Whole life</p> <p>03 – EconoLife (combination of permanent life and term life)</p> <p>04 – Excess interest whole life</p> <p>05 – Universal life</p> <p>06 – Extended term (nonforfeiture)</p> <p>07 – Reduced paid-up (nonforfeiture)</p>	
19-1 21 27	79 104	1	Insured Type	<p>0 – Single life</p> <p>1 – Second to die (submit separate segments for each life)</p> <p>2 – First to die (submit separate segments for each life)</p> <p>3 – Joint (unknown if first or second)</p>	
19-2 22 28	80 105	1	Premium Type	<p>0 – If term policy</p> <p>1 – Single pay</p> <p>2 – Fixed limited pay</p> <p>3 – Fixed premium (level)</p> <p>4 – Fixed premium (increasing)</p> <p>5 – Fixed premium (decreasing)</p> <p>6 – Flexible premium</p> <p>7 – Other</p>	
19-3 23 29	81 106	1	Death Benefit Option	<p>0 – If not universal life policy</p> <p>1 – A/1 (Level death benefit)</p> <p>2 – B/2 (Increasing death benefit based on cash value)</p> <p>3 – C/3 (Increasing death benefit based on premium)</p> <p>4 – Other</p>	
19-4 24 30	82 107	1	Crediting Type	<p>0 – If term policy</p> <p>1 – Fixed</p> <p>2 – Indexed / Interest Sensitive</p> <p>3 – Variable</p> <p>4 – Other</p>	
19-5 25 31	83 108	1	Participation Type	<p>1 – Participating</p> <p>2 – Non-participating</p>	

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ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION	PROSPECTIVE / RETROSPECTIVE PHASE IN PERIOD
19.6 26 32	84 109	1	Length of Surrender Charge Period	0 = No surrender charge period 1 = 0 to 9.99 years 2 = 10 to 19.99 years 3 = 20 to 29.99 years 4 = 30 to 39.99 years 5 = 40+ years	
19.7 27 33	86 110-111	2	Distribution Channel	00 = Unknown 01 = Career 02 = Independent 03 = Bank/wirehouse/broker 04 = Website 05 = Direct Mail / Email 06 = Print Media 07 = TV / Radio 08 = Telephone 09 = IMO (Independent Marketing Organization) 10 = Financial Planner 11 = Kiosk 124 = Other/unknown	
19.8 28 34	87 112	1	Life Insurance Test	1 = Cash value accumulation test 2 = Guideline premium test	
19.9 29 35	88-97 113-122	10	Premium Ratio	EBD	
20 30 36	98 123	1	In-force Indicator	0 = If the policy segment was not in force at the end of the calendar year of observation/Observation Year 1 = If the policy segment was in force at the end of the calendar year of observation/Observation Year	
21 31 37	99-110 124-135	12	Face Amount of Insurance at Issue	Face amount of the policy segment at its issue date rounded to nearest dollar. If policy provides payment of cash value in addition to face amount, include face amount and do not include cash value. If the policy was issued during the observation year, the Face Amount of Insurance at the Beginning of the Observation Year should be blank.  If the death benefit includes return of premium or cash value, do not include premium or cash value amount. Face amount of the policy segment at its issue date rounded to nearest dollar. If policy provides payment of cash value in addition to face amount, include face amount and do not include cash value.	

**Commented [MA4]:** For elements that may not be readily available, the phase in period identifies the year in which this element will be required

**Commented [MA16]:** Needs to be defined or removed

**Section 1. Basic Policy Information**

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ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION	PROSPECTIVE / RETROSPECTIVE PHASE IN PERIOD
22 32 38	111-122 136-147	12	Face Amount of Insurance at the Beginning of the Observation Year	<p>Face amount of the policy segment at the beginning of the calendar year of observation rounded to nearest dollar. If policy provides payment of cash value in addition to face amount, include face amount and do not include cash value. Exclude extra amounts attributable to 7702 corridors. If the policy was issued during the observation year, the Face Amount at the Beginning of the Observation Year should be blank.</p> <p>If the death benefit includes return of premium or cash value, do not include premium or cash value amount. Face amount of the policy segment at the beginning of the calendar year of observation rounded to nearest dollar. If policy provides payment of cash value in addition to face amount, include face amount and do not include cash value. Exclude extra amounts attributable to 7702 corridors.</p> <p>If the policy was issued during the observation year, the Face Amount at the Beginning of the Observation Year should be blank.</p>	
23 33 39	123-134 148-159	12	Face Amount of Insurance at the End of the Observation Year <u>Actual Termination Date</u>	<p>Face amount of the policy segment at the end of the calendar year of observation rounded to nearest dollar. If policy provides payment of cash value in addition to face amount, include face amount, and do not include cash value. Exclude extra amounts attributable to 7702 corridors.</p> <p>If In-force Indicator is 0, enter face amount of the policy segment at the time of termination, if available; otherwise, leave blank.</p> <p>Face amount of the policy segment at the end of the calendar year of observation rounded to nearest dollar. If policy provides payment of cash value in addition to face amount, include face amount, and If the death benefit includes return of premium or cash value, do not include premium or cash value amount. Exclude extra amounts attributable to 7702 corridors.</p> <p>If In-force Indicator is 0, enter face amount of the policy segment at the time of termination, if available; otherwise, leave blank.</p>	
40	160-171	12	Ultimate Face Amount	Face Amount at maturity. Enter 999999999999 if not known at issue. Leave blank if using units.	Retrospective

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ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION	PROSPECTIVE / RETROSPECTIVE PHASE IN PERIOD
41	172-180	9	Number of Units	For policies that have a constant number of units for all policy durations but vary the dollar value of the unit over different policy durations, fill out the number of units.  Leave blank if using amounts.  The number of units is the ultimate face amount divided by 1000, rounded to the nearest integer.	Retrospective
42	181-189	9	Death Claim Units	If Inforce Indicator is 1 or amounts are used, leave blank.  This number of units is to represent the number of units that were paid for the death claim.  If Inforce Indicator is 0 and Cause of Termination is not '04', then leave blank.	Retrospective
24 34 43	135-146 190-201	12	Death Claim Amount	Death claim amount rounded to the nearest dollar. If In-force Indicator is 0 and Cause of Termination is 04, then enter the face amount. If In-force Indicator is 0 and Cause of Termination is not 04, then leave blank. If the policy provides payment of cash value in addition to face amount, report face amount, and do not include cash value.  If the death benefit includes return of premium or cash value, do not include premium or cash value amount. Exclude extra amounts attributable to 7302 corridors.  If In-force Indicator is 1, leave blank.  Death claim amount rounded to the nearest dollar.  If In-force Indicator is 0 and Cause of Termination is 04, then enter the face amount.  If In-force Indicator is 0 and termination is not due to death (Cause of Termination is not 04), then leave blank.  If the policy provides payment of cash value in addition to face amount, report face amount, and do not include cash value.	
44	202-203	2	Cause of Death Code Type	Identify the classification method of diagnosis for the death claim.  00 = Unknown 09 = ICD 9 10 = ICD 10 11 = SOA's 1980 cause of death codes	Prospective 2021

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ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION	PROSPECTIVE / RETROSPECTIVE PHASE IN PERIOD
45	204-207	4	Primary Cause of Death	<p>Enter the Primary Cause of Death Code using the type indicated in Cause of Death Code Type.</p> <p>If unknown, enter '0000000'.</p> <p>If not a death, leave blank.</p> <p>Enter the ICD 9/10 diagnosis code for the primary cause of death or enter the SOA's 1980 cause of death codes. If ICD9 code, insert the three-digit code (e.g. - if ICD9 code = 010 (Primary Tuberculosis infections), enter "010"). Do not include supplementary digits 4 nor 5 in the code. For e800-e999, use the letter and 3 digit number, e.g. for e806-Other specified railway accident, enter "e806". Note: the base 800-999 codes (those without a letter classification) are morbidity codes, not mortality codes. If ICD10 code, insert the letter and first two digits (e.g. - if ICD10 code = A00 (Cholera), insert "A00"). Do not include any additional supplementary digits in the code. If SOA 1980 codes are used, insert the three digit SOA class code (e.g. for 07 Septicemia, insert "070"). Leave blank if unknown or if termination is other than by death.</p>	Prospective 2021
46	208-211	4	Secondary Cause of Death	<p>Enter the Secondary Cause of Death Code using the type indicated in Cause of Death Code Type.</p> <p>If unknown or no secondary cause of death, enter '0000000'.</p> <p>If not a death, leave blank.</p> <p>Enter the ICD 9/10 diagnosis code for the secondary cause of death or enter the SOA's 1980 cause of death codes. If ICD9 code, insert the letter (if applicable) and the three-digit code (e.g. - if ICD9 code = 010 (Primary Tuberculosis infections), enter "0010"). Do not include supplementary digits 4 nor 5 in the code. For e800-e999, use the 3 digit number, e.g. for e806-Other specified railway accident, enter "e806". Note: the base 800-999 codes (those without a letter classification) are morbidity codes, not mortality codes. If ICD10 code, insert the letter and first two digits (e.g. - if ICD10 code = A00 (Cholera), insert "A00"). Do not include any additional supplementary digits in the code. If SOA 1980 codes are used, insert the three digit SOA class code (e.g. for 07 Septicemia, insert "070"). Leave blank if the secondary cause of death is unknown or if termination is other than by death.</p>	Prospective 2021
35 44	147-154 212-219	8	Termination Reported Date	<p>If In-force Indicator is 1, leave blank.</p> <p>Enter in the format YYYYMMDD the eight-digit calendar date that the termination was reported.</p>	

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ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION	PROSPECTIVE / RETROSPECTIVE PHASE IN PERIOD
26 36 48	155-162 220-227	8	Actual Termination Date	<p>If In-force Indicator is 1, leave blank.</p> <p>Enter in the format YYYYMMDD the eight-digit calendar date when the termination occurred.</p> <p>If termination is due to death (Cause of Termination is 04), enter actual date of death.</p> <p>If termination is lapse due to non-payment of premium (Cause of Termination is 01 or 02 or 14), enter the last day the premium was paid-to.</p>	
27 37 49	163-164 228-229	2	Cause of Termination	<p>If In-force Indicator is 1, leave blank.</p> <p>00 = Termination type unknown or unable to subdivide                      01 = Reduced paid-up                      02 = Extended term                      03 = Voluntary; unable to subdivide among 01, 02, 07, 09, 10, 11 or 13                      04 = Death                      07 = 1035 exchange                      09 = Term conversion – unknown whether attained age or original age                      10 = Attained age term conversion                      11 = Original age term conversion                      12 = Coverage expired or contract reached end of the mortality table                      13 = Surrendered for full cash value                      14 = Lapse (other than to Reduced Paid Up or Extended Term)                      15 = Termination via payment of a discounted face amount while still alive, pursuant to an accelerated death benefit provision</p>	

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ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION	PROSPECTIVE / RETROSPECTIVE PHASE IN PERIOD
28 38 50	165-174 230-239	10	Annualized Premium at Issue	<p>For level term segments with plan codes 021 through 027, 041 through 045 or 211 through 271 of Item 19. Plan, enter the annualized premium set at issue. Except for level term segments specified above, leave blank for non-base segments.</p> <p>For the base segments for ULSC, and Variable Life with Secondary Guarantees (VLSC) with plan codes 071 through 078 or 090 through 096 of Item 19. Plan, enter the annualized billed premium set at issue. Round to the nearest dollar. If unknown, leave blank.</p> <p>For Segment Types 01 through 03 (Item 5) level term segments with plan codes 021 through 027, 041 through 045 or 211 through 271 of Item 19. Plan, enter the annualized premium set at issue.</p> <p>For all other segments, leave blank. Except for level term segments specified above, leave blank for non-base segments.</p> <p>For the base segments for ULSC, and Variable Life with Secondary Guarantees (VLSC) with plan codes 071 through 078 or 090 through 096 of Item 19. Plan, enter the annualized billed premium set at issue. Round to the nearest dollar.</p> <p>If unknown, leave blank.</p>	

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ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION	PROSPECTIVE / RETROSPECTIVE PHASE IN PERIOD
29 39 51	175-184 240-249	10	Annualized Premium at the Beginning of Observation Year	<p>For level-term segments with plan codes 021 through 027, 041 through 045 or 211 through 271 of Item 19, Plan, enter the annualized premium for the policy year that includes the beginning of the observation year. Except for level-term segments specified above, leave blank for non-base segments.</p> <p>For the base segments for UL-SG and VL-SG with plan codes 071 through 078 or 090 through 096 of Item 19, Plan, enter the annualized billed premium for the policy year that includes the beginning of the observation year. Round to the nearest dollar.</p> <p>For policies issued in the observation year, leave blank. If unknown, leave blank.</p> <p>For Segment Types 01 through 03 (Item 5) level-term segments with plan codes 021 through 027, 041 through 045 or 211 through 271 of Item 19, Plan, enter the annualized premium for the policy year that includes the beginning of the observation year.</p> <p>Except for level-term segments specified above, leave blank for non-base segments.</p> <p>For the base segments for UL-SG and VL-SG with plan codes 071 through 078 or 090 through 096 of Item 19, Plan, enter the annualized billed premium for the policy year that includes the beginning of the observation year. For all other segments, leave blank.</p> <p>Round to the nearest dollar.</p> <p>For policies issued in the observation year, leave blank.</p> <p>If unknown, leave blank.</p>	

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30 40 52	185-194 250-259	10	<p>Annualized Premium at the End of Observation, if available. Otherwise, Annualized Premium as of Year/Actual Termination Date</p> <p>Annualized Premium at the End of Observation, if available. Otherwise, Annualized Premium as of Year/Actual Termination Date</p>	<p>For level term segments with plan codes 021 through 027, 041 through 045 or 211 through 274 of Item 19, Plan, for each segment that has Item 20, with the In-force Indicator = 1, enter the annualized premium for the policy year that includes the end of the observation year. Otherwise, enter the annualized premium that would have been paid at the end of the observation year. If end of year premium is not available, enter the annualized premium as of the Actual Termination Date (Item 26). Except for level term segments specified above, leave blank for non-base segments.</p> <p>For the base segments for UL-SG and VL-SG with plan codes 071 through 078 or 090 through 096 of Item 19, Plan, use the annualized billed premium. For base segments that have Item 20, with the In-force Indicator = 1, enter the annualized billed premium for the policy year that includes the end of the observation year. Otherwise, enter the annualized billed premium that would have been paid at the end of the observation year. If end of year premium is not available, enter the annualized premium as of the Actual Termination Date (Item 26).</p> <p>Round to the nearest dollar. If unknown, leave blank.</p> <p>For Segment Types 01 through 03 (Item 5) level term segments with plan codes 021 through 027, 041 through 045 or 211 through 274 of Item 19, Plan, for each segment that has Item 20, with the In-force Indicator = 1, enter the annualized premium for the policy year that includes the end of the observation year.</p> <p>For Segment Types 01 through 03 (Item 5) where the In-force Indicator is 0, otherwise, enter the annualized premium that would have been paid at the end of the observation year. If end of year premium is not available, enter the annualized premium as of the Actual Termination Date (Item 4836).</p> <p>Except for level term segments specified above, leave blank for non-base segments.</p> <p>For the base segments for UL-SG and VL-SG with plan codes 071 through 078 or 090 through 096 of Item 19, Plan, use the annualized billed premium. For base segments that have Item 20, with the In-force Indicator = 1, enter the annualized billed premium for the policy year that includes the end of the observation year. Otherwise, enter the annualized billed premium that would have been paid at the end of the observation year. If end of year premium is not available, enter the annualized premium as of the Actual Termination Date (Item 26).</p> <p>For all other segments, leave blank. Round to the nearest dollar. Round to the nearest dollar. If unknown, leave blank.</p>
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ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION	PROSPECTIVE / RETROSPECTIVE PHASE IN PERIOD
31 41 53	195-196 260-261	2	Premium Mode	01 = Annual 02 = Semiannual 03 = Quarterly 04 = Monthly Bill Sent 05 = Monthly Automatic Payment 06 = Semimonthly 07 = Biweekly 08 = Weekly 09 = Single Premium 10 = Other/Unknown	
54	262	1	Latest Payment Type	If policy is terminated, then enter the last payment type used prior to termination. 0 = Unknown 1 = Direct 2 = Payroll Deduction / Group 3 = Credit Card / Debit Card 4 = EFT / Pre-Authorized check 5 = Coupon 6 = Other 7 = Unable to Determine	Retrospective
32 42 55	197-206 263-272	10	Cumulative Premium Collected as of the Beginning of Observation Year	For UL-SG, and VL-SG policies with plan codes 071 through 078 or 090 through 096 of Item 19, Plan: If not UL-SG or VL-SG, leave blank.  1) For non-base segments, leave blank. 2) For base segments, enter the cumulative premium collected since issue, as of the beginning of the observation year. Round to the nearest dollar. If unknown, leave blank.  For UL-SG, and VL-SG policies with plan codes 071 through 078 or 090 through 096 of Item 19, Plan: 1) For non-base segments, leave blank. 2) For base segments, enter the cumulative premium collected since issue, as of the beginning of the observation year.  Round to the nearest dollar. For policies issued in the observation year, leave blank. If unknown, leave blank.	

**Commented [MA4]:** For elements that may not be readily available, the phase in period identifies the year in which this element will be required

**Section 1. Basic Policy Information**

Round all dollar amounts to the nearest dollar. All values should be prior to any reinsurance codes.

If an item is unknown, leave blank unless otherwise specified.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION	PROSPECTIVE / RETROSPECTIVE PHASE IN PERIOD
33 43 56	207-216 273-282	10	Cumulative Premium Collected as of the End of Observation Year if available. Otherwise Cumulative Premium Collected as of Actual Termination Date.  Cumulative Premium Collected as of the End of Observation Year if available. Otherwise Cumulative Premium Collected as of Actual Termination Date.	If not UL/SG or VL/SG, leave blank. If not UL/SG or VL/SG, leave blank.  For UL/SG, and VL/SG policies with plan codes 071 through 078 or 090 through 096 of Item 19, Plan: 1) For non-base segments, leave blank. 2) For base segments inforce at the end of the observation year, enter the cumulative premium collected as of the end of the observation year. 3) For base segments terminated during the observation year, enter the cumulative premium collected since issue, or as of the Actual Termination Date (Item 26). Round to the nearest dollar. If unknown, leave blank.  For UL/SG, and VL/SG policies with plan codes 071 through 078 or 090 through 096 of Item 19, Plan: For non-base segments, leave blank. For base segments inforce at the end of the observation year, enter the cumulative premium collected as of the end of the observation year. For base segments terminated during the observation year, enter the cumulative premium collected since issue, or as of the Actual Termination Date (Item 26). Round to the nearest dollar. If unknown, leave blank.	
57	283	1	Policy On Premium Waiver	0 = Unknown 1 = Policy not converted, not on waiver 2 = Policy not converted but on waiver 3 = Policy converted, then on waiver 4 = Policy on waiver then converted	Prospective 2021
58	284	1	Term Conversion Type	If policy was issued as a result of a term conversion, enter the type of term conversion:  0 - Unknown 1 - Original Age Term Conversion 2 - Attained Age Term Conversion 3 - Unknown whether Original Age or Attained Age Term Conversion 4 - Not a Term Conversion	Prospective 2021
59	285-292	8	Original Issue Date	If Type of Term Conversion, is 1, enter the issue date of the original policy in YYYYMMDD format. If the issue date of the original policy is unknown, please leave blank. Otherwise, Leave blank.	Prospective 2021

**Commented [MA4]:** For elements that may not be readily available, the phase in period identifies the year in which this element will be required

**Section 2. Underwriting Information**

For non-base segments, leave blank.

Round all dollar amounts to the nearest dollar. All values should be prior to any reinsurance ceded.

If an item is unknown, leave blank unless otherwise specified.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION	PROSPECTIVE / RETROSPECTIVE PHASE IN PERIOD
17 60	64-65 293-294	2	Type of Underwriting Requirements	<p>If underwriting requirement of ordinary business is reliably known, use code other than "99." Ordinary business does not include separate lines of business, such as simplified issue/guaranteed issue, worksite, individually solicited group life, direct response, final expense, pre-need, home service and COLI/BOLI/CHOLI. If underwriting requirement of ordinary business is reliably known, use code other than "99." Ordinary business does not include separate lines of business, such as simplified issue/guaranteed issue, worksite, individually solicited group life, direct response, final expense, pre-need, home service and COLI/BOLI/CHOLI.</p> <p>If underwriting requirement of ordinary business is reliably known, use code other than "99." Ordinary business does not include separate lines of business, such as simplified issue/guaranteed issue, worksite, individually solicited group life, direct response, final expense, pre-need, home service and COLI/BOLI/CHOLI.</p> <p>01 = Traditionally Underwritten, but unknown whether fluid was collected                      02 = Traditionally Underwritten with no fluid collection                      03 = Traditionally Underwritten with fluid collected                      04 = Simplified Issue                      05 = Guaranteed Issue                      06 = Accelerated Underwriting                      07 = Underwritten as hold-out from Accelerated Underwriting                      08-09 = Term Conversion                      079 = Group Conversion                      10 = Exercise of a Guaranteed Insurability Option                      99-11 = Not Underwritten                      99 = For issues where underwriting requirement is unknown or unable to subdivide</p>	
61	295-303	9	Underwriting Specification Identifier	Identifier that ties to UW Specification File Item 3	Retrospective 2021
62	304	1	Is financial data of any kind used in a marketing pre-screening process?	0 = Unknown 1 = No 2 = Yes - Individual 3 = Yes - Household	Prospective 2021
63	305	1	Are there medical questions on the application?	0 = Unknown 1 = No medical questions 2 = Limited medical questions	Prospective 2021
64	306	1	If full medical info is required in part 2, how is it collected?	0 = Unknown 1 = Full medical part 2 not required 2 = Tele-interview 3 = Commissioned Representative 4 = Paramed 5 = Insured	Prospective 2021

**Commented [MA17]:** For elements that may not be readily available, the phase in period identifies the year in which this element will be required

**Commented [MA18]:** Changed location

**Section 2. Underwriting Information**

For non-base segments, leave blank.

Round all dollar amounts to the nearest dollar. All values should be prior to any reinsurance ceded.

If an item is unknown, leave blank unless otherwise specified.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION	PROSPECTIVE / RETROSPECTIVE PHASE IN PERIOD
65	307	1	Do you have a reflexive aspect to your application?	0 = Unknown 1 = No 2 = Yes  Reflexive questions are questions that are asked depending on the response to a previous question. For example, if the applicant answers yes to a specific condition question, then reflexive questions would gather additional information about the condition. If unknown, leave blank.	Prospective 2021
66	308	1	Was there an underwriter review?	0 = Unknown Y = Yes N = No Round to the nearest dollar.  If unknown, leave blank.	Prospective 2023
67	309	1	After the policy is issued, is monitoring employed?	0 = Unknown 1 = No or None 2 = Yes, Prescription Data 3 = Yes, Attending Physician Statement 4 = MIB 5 = Multiple If unknown, leave blank.	Prospective 2023
68	310	1	Was the application designed with Sentinel Value or Behavioral Economic considerations?	0 = Unknown 1 = Yes 2 = No  Sentinel Value involves asking specific questions in order to prompt the applicant to divulge information that they might not otherwise divulge or to discourage them from proceeding with the application because of the information divulged.  Behavioral Economics is the study of how cognitive, emotional, and social factors affect decision-making. In life insurance, the structure of the application, order of the questions and product design may all be developed with the thought of influencing the truthfulness of the applicant or policyholder. Round to the nearest dollar. If unknown, leave blank.	Prospective 2021
69	311	1	Was there a senior underwriting questionnaire or protocol done?	0 = Unknown 1 = No 2 = Yes	Prospective 2023
70	312	1	Field Underwriting (Impairment or Rx Knockouts)	0 = Unknown 1 = No 2 = Yes Round to the nearest dollar.  If unknown, leave blank.	Prospective 2023

**Commented [MA17]:** For elements that may not be readily available, the phase in period identifies the year in which this element will be required

**Section 2. Underwriting Information**

For non-base segments, leave blank.

Round all dollar amounts to the nearest dollar. All values should be prior to any reinsurance ceded.

If an item is unknown, leave blank unless otherwise specified.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION	PROSPECTIVE / RETROSPECTIVE PHASE IN PERIOD
71	313	1	Predictive Analytics for Marketing Selection (Lead Generation)	0 = Unknown 1 = No 2 = Yes	Prospective 2021
72	314	1	Predictive Analytics for Underwriting Triage or Risk Classification	0 = Unknown 1 = No 2 = Yes  For base segments terminated during the observation year, enter the appropriate value below as of the Actual Termination Date (Item 26): 00 = If unknown whether the secondary guarantee is in effect 01 = If secondary guarantee is not in effect 02 = If secondary guarantee is in effect 03 = If all secondary guarantees have expired	Prospective 2021
73	315	1	Attending Physician Statement	0 = Unknown 1 = No 2 = Yes, full report 3 = Yes, summary only 3 = Waived	Prospective 2021
74	316	1	Para-Medical Exam	0 = Unknown 1 = No 2 = Yes 3 = Waived	Prospective 2021
75	317	1	Physician Exam	0 = Unknown 1 = No 2 = Yes 3 = Waived	Prospective 2021
76	318	1	Electronic Health Records	0 = Unknown 1 = No 2 = Yes 3 = Waived 4 = Requested – no hit	Prospective 2021
77	319	1	Personal History Interview	0 = Unknown 1 = No 2 = Yes 3 = Waived	Prospective 2021
78	320	1	Blood Sample	0 = Unknown 1 = No 2 = Yes 3 = Waived	Prospective 2023
79	321	1	Urine / HOS specimen	0 = Unknown 1 = No 2 = Yes 3 = Waived	Prospective 2023

**Commented [MA17]:** For elements that may not be readily available, the phase in period identifies the year in which this element will be required

**Section 2. Underwriting Information**

For non-base segments, leave blank.

Round all dollar amounts to the nearest dollar. All values should be prior to any reinsurance ceded.

If an item is unknown, leave blank unless otherwise specified.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION	PROSPECTIVE / RETROSPECTIVE PHASE IN PERIOD
80	322	1	Saliva / Oral fluid specimen	0 = Unknown 1 = No 2 = Yes 3 = Waived	Prospective 2023
81	323	1	Stress Test	0 = Unknown 1 = No 2 = Yes - treadmill test 3 = Yes - chemical stressers 4 = Waived	Prospective 2023
82	324	1	MIB Requested	0 = Unknown 1 = No 2 = Yes 3 = Yes IA1 4 = Yes both 5 = Requested but not used	Prospective 2021
83	325	1	Prescription History Data Requested	0 = Unknown 1 = No 2 = Yes 3 = Not used	Prospective 2021
84	326	1	Prescription History Data Received	0 = Unknown 1 = No 2 = Hit with drugs 3 = Hit with no drugs 4 = Not used	Prospective 2021
85	327	1	Prescription Rating Provided Automatically	0 = Unknown 1 = No 2 = Numerical Score 3 = Severity Group 4 = Both 5 = Not used	Prospective 2021
86	328	1	Personal History - Cancer	0 = Unknown Y = Yes N = No	Prospective 2025
87	329-331	3	Personal History - Cancer - Age at Diagnosis	Number	Prospective 2025
88	332	1	Personal History - Cerebrovascular (stroke, arteria sclerotic vascular disease)	0 = Unknown Y = Yes N = No	Prospective 2025
89	333-335	3	Personal History - Cerebrovascular - Age at Diagnosis	Number	Prospective 2025

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**Section 2. Underwriting Information**

For non-base segments, leave blank.

Round all dollar amounts to the nearest dollar. All values should be prior to any reinsurance ceded.

If an item is unknown, leave blank unless otherwise specified.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION	PROSPECTIVE / RETROSPECTIVE PHASE IN PERIOD
90	336	1	Personal History - Coronary (heart attack, hypertensive heart disease, arteria sclerotic vascular disease)	0 = Unknown Y = Yes N = No	Prospective 2025
91	337-339	3	Personal History - Coronary - Age at Diagnosis	Number	Prospective 2025
92	340	1	Personal History - Mental / Nervous	0 = Unknown Y = Yes N = No	Prospective 2025
93	341-343	3	Personal History - Mental / Nervous - Age at Diagnosis	Number	Prospective 2025
94	344	1	Personal History - Diabetes	0 = Unknown Y = Yes N = No	Prospective 2025
95	345-347	3	Personal History - Diabetes - Age at Diagnosis	Number	Prospective 2025
96	348	1	Personal History - Alcohol Abuse	0 = Unknown Y = Yes N = No	Prospective 2025
97	349-351	3	Personal History - Alcohol Abuse - Age at Diagnosis	Number	Prospective 2025
98	352	1	Personal History - Drug Abuse other than Marijuana	0 = Unknown Y = Yes N = No	Prospective 2025
99	353-355	3	Personal History - Drug Abuse other than Marijuana - Age at Diagnosis	Number	Prospective 2025
100	356	1	Personal History - Drug Abuse - Marijuana	0 = Unknown Y = Yes N = No	Prospective 2025
101	357-359	3	Personal History - Drug Abuse - Marijuana - Age at Diagnosis	Number	Prospective 2025

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**Section 2. Underwriting Information**

For non-base segments, leave blank.

Round all dollar amounts to the nearest dollar. All values should be prior to any reinsurance ceded.

If an item is unknown, leave blank unless otherwise specified.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION	PROSPECTIVE / RETROSPECTIVE PHASE IN PERIOD
102	360-364	5	Smoking status source	0 = Unknown 1 = App 2 = E-Health Records 3 = Paramed 4 = APS 5 = Other  Enter all options that apply. (e.g. if both App and Paramed, then enter 13)	Prospective 2025
103	365-370	6	Blood Pressure Source	0 = Unknown 1 = Not used 2 = App self reported 3 = E-Health Records 4 = Paramed 5 = APS 6 = Other  Enter all that apply (e.g. if App, Paramed, and APS, then enter 245)	Prospective 2025
104	371-373	3	Diastolic Blood Pressure	Numerical Value 999 = Not collected	Prospective 2025
105	374-376	3	Systolic Blood Pressure	Numerical Value 999 = Not collected	Prospective 2025
106	377	1	Blood Pressure Treatment	0 = Unknown 1 = Not Treated 2 = Treated 3 = Not collected	Prospective 2025
107	378-382	5	Source of Height and Weight	0 = Unknown 1 = Self Reported 2 = Independently Taken 3 = E-Health Records 4 = Paramed 5 = Other  Enter all that apply (e.g. if both self reported and Paramed then enter 14)	Prospective 2025
108	383-385	3	Height in inches	Numerical Value as an integer 999 = Not collected	Prospective 2025
109	386-388	3	Weight in pounds	Numerical Value as an integer 999 = Not collected	Prospective 2025
110	389-393	5	Cholesterol Source	0 = Unknown 1 = App / Self Reported 2 = E-Health Records 3 = Paramed 4 = APS 5 = Other  Enter all options that apply. (e.g. if both App and Paramed, then enter 13)	Prospective 2025

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**Section 2. Underwriting Information**

For non-base segments, leave blank.

Round all dollar amounts to the nearest dollar. All values should be prior to any reinsurance ceded.

If an item is unknown, leave blank unless otherwise specified.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION	PROSPECTIVE / RETROSPECTIVE PHASE IN PERIOD
111	394-396	3	Cholesterol Total	Numerical Value as an integer 999 = Not collected	Prospective 2025
112	395-399	3	HDL	Numerical Value as an integer 999 = Not collected	Prospective 2025
113	400	1	Financial Data (Income and Assets information on the Application)	0 = Unknown 1 = No 2 = Yes	Prospective 2021
114	401	1	Credit Data	0 = Unknown 1 = No 2 = Yes	Prospective 2021
115	402	1	Credit Behavior Mortality Risk Score (not FICO Credit Score)	0 = Unknown 1 = No 2 = Yes	Prospective 2021
116	403	1	Motor Vehicle Records Requested	0 = Unknown 1 = No 2 = Yes 3 = Yes & used as part of a scoring system 4 = Waived 5 = Not used	Prospective 2025
117	404	1	Driving Record - Moving Violations	0 = Unknown Y = Yes N = No	Prospective 2025
118	405-407	3	Driving Record - Specific Violations	0 = Unknown 1 = Driving Under the Influence (DUI) 2 = Reckless Driving (RD) 3 = Driving License Suspended 4 = None of the above  Enter all that apply (e.g. if DUI and License Suspended, enter 13)	Prospective 2025
119	408	1	Wearable Technology	0 = Unknown 1 = No 2 = Yes, as part of underwriting 3 = Yes, enforce engagement 4 = Both 2 and 3	Prospective 2025
120	409	1	Other New Technology or Data Considered	0 = Unknown Y = Yes N = No	Prospective 2025
121	410	1	Occupation	0 = Unknown 1 = No 2 = Yes: Information collected and rated as a result 3 = Yes: Information collected but not used 4 = Yes, Reflexive Question Only 5 = Actively at work question only	Prospective 2023

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**Section 2. Underwriting Information**

For non-base segments, leave blank.

Round all dollar amounts to the nearest dollar. All values should be prior to any reinsurance ceded.

If an item is unknown, leave blank unless otherwise specified.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION	PROSPECTIVE / RETROSPECTIVE PHASE IN PERIOD
122	411	1	Avocation	0 = Unknown 1 = No 2 = Yes: Information collected and rated as a result 3 = Yes: Information collected but not used 4 = Yes, Reflexive Question Only	Prospective 2023
123	412	1	Driving Record	0 = Unknown 1 = No 2 = Yes: Information collected and rated as a result 3 = Yes: Information collected but not used 4 = Yes, Reflexive Question Only	Prospective 2023
124	413	1	Aviation	0 = Unknown 1 = No 2 = Yes: Information collected and rated as a result 3 = Yes: Information collected but not used	Prospective 2023
125	414	1	Citizenship	0 = Unknown 1 = No 2 = Yes: Information collected and rated as a result 3 = Yes: Information collected but not used	Prospective 2023
126	415	1	Foreign Travel	0 = Unknown 1 = No 2 = Yes: Information collected and rated as a result 3 = Yes: Information collected but not used	Prospective 2023
127	416	1	Residency	0 = Unknown 1 = No 2 = Yes: Information collected and rated as a result 3 = Yes: Information collected but not used	Prospective 2023
128	417-419	3	Family History – Cancer	F = Father M = Mother S = Sibling blank if none  Enter all that apply (e.g. if both Mother and Sibling, then enter MS)	Prospective 2025
129	420-422	3	Family History – Cancer – Youngest Age at Diagnosis for Parent	Enter the youngest age at diagnosis for either parent identified in item 128.  Blank if none	Prospective 2025
130	423-425	3	Family History – Cancer – Youngest Age at Death for Parent	Enter the youngest age at death for either parent identified in item 128.  Blank if none	Prospective 2025
131	426-428	3	Family History – Cancer – Youngest Age at Diagnosis for Sibling	Enter the youngest age at diagnosis for sibling(s) identified in item 128.  Blank if none	Prospective 2025

**Commented [MA17]:** For elements that may not be readily available, the phase in period identifies the year in which this element will be required

**Section 2. Underwriting Information**

For non-base segments, leave blank.

Round all dollar amounts to the nearest dollar. All values should be prior to any reinsurance ceded.

If an item is unknown, leave blank unless otherwise specified.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION	PROSPECTIVE / RETROSPECTIVE PHASE IN PERIOD
132	429-431	3	Family History - Cancer - Youngest Age at Death for Sibling	Enter the youngest age at death for sibling(s) identified in item 128. Blank if none	Prospective 2025
133	432-434	3	Family History - Cerebrovascular (stroke, arteria sclerotic vascular disease)	F = Father M = Mother S = Sibling blank if none  Enter all that apply (e.g. if both Mother and Sibling, then enter MS)	Prospective 2025
134	435-437	3	Family History - Cerebrovascular - Youngest Age at Diagnosis for Parent	Enter the youngest age at diagnosis for either parent identified in item 133. Blank if none	Prospective 2025
135	438-440	3	Family History - Cerebrovascular - Youngest Age at Death for Parent	Enter the youngest age at death for either parent identified in item 133. Blank if none	Prospective 2025
136	441-443	3	Family History - Cerebrovascular - Youngest Age at Diagnosis for Sibling	Enter the youngest age at diagnosis for sibling(s) identified in item 133. Blank if none	Prospective 2025
137	444-446	3	Family History - Cerebrovascular - Youngest Age at Death for Sibling	Enter the youngest age at death for sibling(s) identified in item 133. Blank if none	Prospective 2025
138	447-449	3	Family History - Coronary (heart attack, hypertensive heart disease, arteria sclerotic vascular disease)	F = Father M = Mother S = Sibling blank if none  Enter all that apply (e.g. if both Mother and Sibling, then enter MS)	Prospective 2025
139	450-452	3	Family History - Coronary - Youngest Age at Diagnosis for Parent	Enter the youngest age at diagnosis for either parent identified in item 138. Blank if none	Prospective 2025
140	453-455	3	Family History - Coronary - Youngest Age at Death for Parent	Enter the youngest age at death for either parent identified in item 138. Blank if none	Prospective 2025
141	456-458	3	Family History - Coronary - Youngest Age at Diagnosis for Sibling	Enter the youngest age at diagnosis for sibling(s) identified in item 138. Blank if none	Prospective 2025

**Commented [MA17]:** For elements that may not be readily available, the phase in period identifies the year in which this element will be required

**Section 2. Underwriting Information**

For non-base segments, leave blank.

Round all dollar amounts to the nearest dollar. All values should be prior to any reinsurance ceded.

If an item is unknown, leave blank unless otherwise specified.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION	PROSPECTIVE / RETROSPECTIVE PHASE IN PERIOD
142	459-461	3	Family History – Coronary – Youngest Age at Death for Sibling	Enter the youngest age at death for sibling(s) identified in item 138.  Blank if none	Prospective 2025
143	462-464	3	Family History – Mental / Nervous	F = Father M = Mother S = Sibling blank if none  Enter all that apply (e.g. if both Mother and Sibling, then enter MS)	Prospective 2025
144	465-467	3	Family History – Mental / Nervous – Youngest Age at Diagnosis for Parent	Enter the youngest age at diagnosis for either parent identified in item 143.  Blank if none	Prospective 2025
145	468-470	3	Family History – Mental / Nervous – Youngest Age at Death for Parent	Enter the youngest age at death for either parent identified in item 143.  Blank if none	Prospective 2025
146	471-473	3	Family History – Mental / Nervous – Youngest Age at Diagnosis for Sibling	Enter the youngest age at diagnosis for sibling(s) identified in item 143.  Blank if none	Prospective 2025
147	474-476	3	Family History – Mental / Nervous – Youngest Age at Death for Sibling	Enter the youngest age at death for sibling(s) identified in item 143.  Blank if none	Prospective 2025
148	477-479	3	Family History – Diabetes	F = Father M = Mother S = Sibling blank if none  Enter all that apply (e.g. if both Mother and Sibling, then enter MS)	Prospective 2025
149	480-482	3	Family History – Diabetes – Youngest Age at Diagnosis for Parent	Enter the youngest age at diagnosis for either parent identified in item 148.  Blank if none	Prospective 2025
150	483-485	3	Family History – Diabetes – Youngest Age at Death for Parent	Enter the youngest age at death for either parent identified in item 148.  Blank if none	Prospective 2025
151	486-488	3	Family History – Diabetes – Youngest Age at Diagnosis for Sibling	Enter the youngest age at diagnosis for sibling(s) identified in item 148.  Blank if none	Prospective 2025

**Commented [MA17]:** For elements that may not be readily available, the phase in period identifies the year in which this element will be required

**Section 2. Underwriting Information**

For non-base segments, leave blank.

Round all dollar amounts to the nearest dollar. All values should be prior to any reinsurance ceded.

If an item is unknown, leave blank unless otherwise specified.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION	PROSPECTIVE / RETROSPECTIVE PHASE IN PERIOD
152	489-491	3	Family History – Diabetes – Youngest Age at Death for Sibling	Enter the youngest age at death for sibling(s) identified in item 148.  Blank if none	Prospective 2025

**Commented [MA17]:** For elements that may not be readily available, the phase in period identifies the year in which this element will be required

**Section 23, Secondary Guarantee Policy Information**

For non-ULSG or non-VLSG products, leave blank

For non-base segments, leave blank

Round all dollar amounts to the nearest dollar. All values should be prior to any reinsurance codes.

If an item is unknown, leave blank unless otherwise specified.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION
43 44 153	187-188 217 492	1	Length of Secondary Guarantee ULSG-VLSG Premium Type	1 = 0 to 4.99 years 2 = 5 to 9.99 years 3 = 10 to 19.99 years 4 = 20+ years For non-base segments, leave blank If not ULSG or VLSG, leave blank For ULSG and VLSG policies with plan codes 071 through 078 or 090 through 096 of Item 19, Plan: 00 = Unknown 01 = Single premium 02 = ULSG/VLSG Whole life level premium 03 = Lower premium (term like) 04 = Other
44		1	ULSG/VLSG Premium Type	For non-base segments, leave blank If not ULSG or VLSG, leave blank For ULSG and VLSG policies with plan codes 071 through 078 or 090 through 096 of Item 19, Plan: 00 = Unknown 01 = Single premium 02 = ULSG/VLSG Whole life level premium 03 = Lower premium (term like) 04 = Other
35 45 154	218-219 493-494	2	Type of Secondary Guarantee	For non-base segments, leave blank For non-base segments, leave blank If not ULSG or VLSG, leave blank For ULSG and VLSG policies with plan codes 071 through 078 or 090 through 096 of Item 19, Plan: For non-base segments, leave blank If not ULSG or VLSG, leave blank For ULSG and VLSG policies with plan codes 071 through 078 or 090 through 096 of Item 19, Plan: 00 = Unknown 01 = Cumulative Premium without Interest (Single Tier) 02 = Cumulative Premium without Interest (Multiple Tier) 03 = Cumulative Premium without Interest (Other) 04 = Cumulative Premium with Interest (Single Tier) 05 = Cumulative Premium with Interest (Multiple Tier) 06 = Cumulative Premium with Interest (Other) 11 = Shadow Account (Single Tier) 12 = Shadow Account (Multiple Tier) 13 = Shadow Account (Other) 21 = Both Cumulative Premium without Interest and Shadow Account 22 = Both Cumulative Premium with Interest and Shadow Account 23 = Other - not involving either Cumulative Premium or Shadow Account

**Section 23, Secondary Guarantee Policy Information**

For non-ULSG or non-VLSG products, leave blank.

For non-base segments, leave blank.

Round all dollar amounts to the nearest dollar. All values should be prior to any reinsurance codes.

If an item is unknown, leave blank unless otherwise specified.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION
36 46 155	220-229 495-504	10	Cumulative Minimum Premium as of the Beginning of Observation Year	<p>If not ULSG or VLSG, leave blank. If not ULSG or VLSG, leave blank.</p> <p>For ULSG and VLSG policies with plan codes 071 through 078 or 090 through 096 of Item 19, Plan: If Item 35, Type of Secondary Guarantee is blank, 00, 11, 12, 13 or 23, leave blank. If Item 35, Type of Secondary Guarantee is blank, 00, 11, 12, 13 or 23, leave blank.</p> <p>1) Leave non-base segments, blank. 2) For base segments: Enter the cumulative minimum premiums, including applicable interest, for all policy years up to the beginning of the observation year. Round to the nearest dollar. If unknown, leave blank.</p> <p>For ULSG and VLSG policies with plan codes 071 through 078 or 090 through 096 of Item 19, Plan</p> <p>If Item 35, Type of Secondary Guarantee (Item 15445) is blank, 00, 11, 12, 13 or 23, leave blank.</p> <p>If Item 35, Type of Secondary Guarantee (Item 15445) is 01, 02, 03, 04, 05, through 06, 21 or 22:</p> <p>1) Leave non-base segments, blank. 2) For base segments: Enter the cumulative minimum premiums, including applicable interest, for all policy years up to the beginning of the observation year.</p> <p>Round to the nearest dollar.</p> <p>For policies issued in the observation year, leave blank.</p> <p>If unknown, leave blank.</p>

**Section 23, Secondary Guarantee Policy Information**

For non-ULSG or non-VLSG products, leave blank

For non-base segments, leave blank

Round all dollar amounts to the nearest dollar. All values should be prior to any reinsurance codes.

If an item is unknown, leave blank unless otherwise specified.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION
37 47 156	230-239 505-514	10	Cumulative Minimum Premium as of the End of Observation Year/-Actual Termination Date	<p>If not ULSG or VLSG, leave blank. If not ULSG or VLSG, leave blank</p> <p>For ULSG and VLSG policies with plan codes 07 through 078 and 090 through 096 of Item 19, Plan:</p> <p>If Item 35, Type of Secondary Guarantee is blank, 00, 11, 12, 13 or 23, leave blank</p> <p>If Item 35, Type of Secondary Guarantee is 01, 02, 03, 04, 05, 06, 21 or 22:</p> <p>1) For non-base segments, leave blank</p> <p>2) For base segments in force at the end of the observation year, enter the cumulative minimum premiums, including applicable interest, up to the end of the observation year</p> <p>3) For base segments terminated during the observation year, enter the cumulative minimum premiums, including applicable interest, up to the Actual Termination Date (Item 26)</p> <p>Round to the nearest dollar</p> <p>If unknown, leave blank</p> <p>If not ULSG or VLSG, leave blank</p> <p>If Item 35, Type of Secondary Guarantee (Item 15445) is blank, 00, 11, 12, 13 or 23, leave blank</p> <p>If Item 35, Type of Secondary Guarantee (Item 15445) is 01, 02, 03, 04, 05, through 06, 21 or 22:</p> <p>For non-base segments, leave blank</p> <p>For base segments in force at the end of the observation year, enter the cumulative minimum premiums, including applicable interest, up to the end of the observation year</p> <p>For base segments terminated during the observation year, enter the cumulative minimum premiums, including applicable interest, or up to the Actual Termination Date (Item 4836)</p> <p>Round to the nearest dollar</p> <p>If unknown, leave blank</p>

**Section 23, Secondary Guarantee Policy Information**

For non-ULSG or non-VLSG products, leave blank.

For non-base segments, leave blank.

Round all dollar amounts to the nearest dollar. All values should be prior to any reinsurance codes.

If an item is unknown, leave blank unless otherwise specified.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION
38 48 157	240-249 515-524	10	Shadow Account Amount at the Beginning of Observation Year	<p>If not ULSG or VLSG, leave blank.</p> <p>For ULSG and VLSG policies with plan codes 07 through 078 or 090 through 096 of Item 19, Plan:</p> <p>If Item 35, Type of Secondary Guarantee is blank, 00, 01, 02, 03, 04, 05, 06, or 23 leave blank.</p> <p>If Item 35, Type of Secondary Guarantee is 11, 12, 13, 21 or 22:</p> <p>1) Leave non-base segments blank.</p> <p>2) For base segments: Enter total amount of the Shadow Account at the beginning of the observation year. The Shadow Account can be positive, zero or negative. Round to the nearest dollar.</p> <p>If unknown, leave blank.</p> <p>For ULSG and VLSG policies with plan codes 074 through 078 or 090 through 096 of Item 19, Plan:</p> <p>If Item 35, Type of Secondary Guarantee (Item 15445) is blank, 00, 01, 02, 03, 04, 05, through 06, or 23, leave blank.</p> <p>If Item 35, Type of Secondary Guarantee (Item 15445) is 11, 12, 13, 21 or 22:</p> <p>1) Leave non-base segments blank.</p> <p>2) For base segments:</p> <p>Enter the total amount of the Shadow Account at the beginning of the observation year. The Shadow Account can be positive, zero or negative.</p> <p>Round to the nearest dollar.</p> <p>For policies issued in the observation year, leave blank.</p> <p>If unknown, leave blank.</p>

**Section 23, Secondary Guarantee Policy Information**

For non-ULSG or non-VLSG products, leave blank.

For non-base segments, leave blank.

Round all dollar amounts to the nearest dollar. All values should be prior to any reinsurance cedes.

If an item is unknown, leave blank unless otherwise specified.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION
39 49 158	250-259 525-534	10	Shadow Account Amount at the End of Observation Year/ Actual Termination Date	<p>If not ULSG or VLSG, leave blank. If not ULSG or VLSG, leave blank.</p> <p>For ULSG and VLSG policies with plan codes 071 through 078 or 090 through 096 of Item 19, Plan Code. If Item 35, Type of Secondary Guarantee is blank, use 2018 National Association of Insurance Commissioners 51-34. 00, 01, 02, 03, 04, 05, 06, or 23 leave blank. If Item 35, Type of Secondary Guarantee is 11, 12, 13, 21 or 22:</p> <p>1) For non-base segments, leave blank.                  2) For base segments inforce at the end of the observation year, enter the total amount of the Shadow Account at the end of the observation year. The Shadow Account can be positive, zero or negative.                  3) For base segments terminated during the observation year, enter the total amount of the Shadow Account as of the Actual Termination Date (Item 26). The Shadow Account can be positive, zero or negative.                  Round to the nearest dollar.                  If unknown, leave blank.</p> <p>For ULSG and VLSG policies with plan codes 071 through 078 or 090 through 096 of Item 19, Plan Code. If Item 35, Type of Secondary Guarantee (Item 15445) is blank, 00, 01, 02, 03, 04, 05, through 06, or 23, leave blank.</p> <p>If Item 35, Type of Secondary Guarantee (Item 15445) is 11, 12, 13, 21 or 22:</p> <p>For non-base segments, leave blank.                  For base segments inforce at the end of the observation year, enter the total amount of the Shadow Account at the end of the observation year. The Shadow Account can be positive, zero or negative.                  For base segments terminated during the observation year, enter the total amount of the Shadow Account or as of the Actual Termination Date (Item 4836). The Shadow Account can be positive, zero or negative.                  Round to the nearest dollar.                  If unknown, leave blank.</p>

**Section 23, Secondary Guarantee Policy Information**

For non-ULSG or non-VLSG products, leave blank.

For non-base segments, leave blank.

Round all dollar amounts to the nearest dollar. All values should be prior to any reinsurance codes.

If an item is unknown, leave blank unless otherwise specified.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION
40 50 159	260-269 535-544	10	Account Value at the Beginning of Observation Year	<p>For non-base segments, leave blank. For non-base segments, leave blank.</p> <p>If not ULSG or VLSG, leave blank.</p> <p>For ULSG and VLSG policies with plan codes 074 through 078 or 090 through 096 of Item 19, Plan, the policy Account Value (gross of any loan) at the Beginning of the Observation Year. The policy Account Value can be positive, zero or negative.</p> <p>Round to the nearest dollar.</p> <p>If unknown, leave blank.</p> <p>If not ULSG or VLSG, leave blank.</p> <p>For ULSG and VLSG policies with plan codes 074 through 078 or 090 through 096 of Item 19, Plan, Enter the policy Account Value (gross of any loan) at the Beginning of the Observation Year. The policy Account Value can be positive, zero or negative.</p> <p>Round to the nearest dollar.</p> <p>For policies issued in the observation year, leave blank.</p> <p>If unknown, leave blank.</p>

**Section 23, Secondary Guarantee Policy Information**

For non-ULSG or non-VLSG products, leave blank.

For non-base segments, leave blank.

Round all dollar amounts to the nearest dollar. All values should be prior to any reinsurance cedes.

If an item is unknown, leave blank unless otherwise specified.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION
41 51 160	270-279 545-554	10	Account Value at the End of Observation Year/Actual Termination Date	<p>For non-base segments, leave blank. For non-base segments, leave blank.</p> <p>If not ULSG or VLSG, leave blank.</p> <p>For ULSG and VLSG policies with plan codes 074 through 078 or 090 through 096 of Item 19, Plan:</p> <p>1) If policy is in force at the end of observation year, enter the policy Account Value (gross of any loan) at the end of the Observation Year. The policy Account Value can be positive, zero or negative.</p> <p>2) If policy terminated during the observation year, enter the policy Account Value (gross of any loan) as of the Actual Termination Date (Item 26). The policy Account Value can be positive, zero or negative.</p> <p>Round to the nearest dollar. If unknown, leave blank.</p> <p>If not ULSG or VLSG, leave blank.</p> <p>For ULSG and VLSG policies with plan codes 074 through 078 or 090 through 096 of Item 19, Plan:</p> <p>1) If policy is in force at the end of observation year, enter the policy Account Value (gross of any loan) at the end of the Observation Year. The policy Account Value can be positive, zero or negative.</p> <p>2) If policy terminated during the observation year, enter the policy Account Value (gross of any loan) or as of the Actual Termination Date (Item 4836). The policy Account Value can be positive, zero or negative.</p> <p>Round to the nearest dollar. If unknown, leave blank.</p>

**Section 23, Secondary Guarantee Policy Information**

For non-ULSG or non-VLSG products, leave blank.

For non-base segments, leave blank.

Round all dollar amounts to the nearest dollar. All values should be prior to any reinsurance codes.

If an item is unknown, leave blank unless otherwise specified.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION
42 52 161	280-289 555-564	10	Amount of Surrender Charge at the Beginning of Observation Year	<p>For non-base segments, leave blank. For non-base segments, leave blank.</p> <p>If not ULSG or VLSG, leave blank.</p> <p>For ULSG and VLSG policies with plan codes 074 through 078 and 090 through 096 of Item 19, Plan, enter the dollar Amount of the Surrender Charge as of the Beginning of the Observation Year.</p> <p>Round to the nearest dollar.</p> <p>If unknown, leave blank.</p> <p>If not ULSG or VLSG, leave blank.</p> <p>For ULSG and VLSG policies with plan codes 074 through 078 and 090 through 096 of Item 19, Plan, enter the dollar Amount of the Surrender Charge as of the Beginning of the Observation Year.</p> <p>Round to the nearest dollar.</p> <p>For policies issued in the observation year, leave blank. If unknown, leave blank.</p>

**Section 23, Secondary Guarantee Policy Information**

For non-ULSG or non-VLSG products, leave blank

For non-base segments, leave blank

Round all dollar amounts to the nearest dollar. All values should be prior to any reinsurance codes.

If an item is unknown, leave blank unless otherwise specified.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION
43 53 162	290-299 565-574	10	Amount of Surrender Charge at the End of Observation Year/Actual Termination Date	<p>For non-base segments, leave blank. For non-base segments, leave blank.</p> <p>If not ULSG or VLSG, leave blank.</p> <p>For ULSG and VLSG policies with plan codes 074 through 078 or 090 through 096 of Item 19, Plan</p> <p>1) If policy is in force at the end of observation year, enter the dollar amount of the Surrender Charge at the end of the Observation Year.</p> <p>2) If policy terminated during the observation year, enter the dollar amount of the Surrender Charge as of the Actual Termination Date (Item 26).</p> <p>Round to the nearest dollar.</p> <p>If unknown, leave blank.</p> <p>If not ULSG or VLSG, leave blank.</p> <p>For ULSG and VLSG policies with plan codes 074 through 078 or 090 through 096 of Item 19, Plan</p> <p>If policy is in force at the end of observation year, enter the dollar amount of the Surrender Charge at the end of the Observation Year.</p> <p>2) If policy terminated during the observation year, enter the dollar amount of the Surrender Charge or as of the Actual Termination Date (Item 4836).</p> <p>Round to the nearest dollar.</p> <p>If unknown, leave blank.</p>

**Section 23, Secondary Guarantee Policy Information**

For non-ULSG or non-VLSG products, leave blank

For non-base segments, leave blank

Round all dollar amounts to the nearest dollar. All values should be prior to any reinsurance cedes.

If an item is unknown, leave blank unless otherwise specified.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION
44 54 163	300-301 575-576	2	Operative Secondary Guarantee at the Beginning of Observation Year	<p>The company defines whether a secondary guarantee is in effect for a policy with a secondary guarantee at the beginning of the Observation Year. The company defines whether a secondary guarantee is in effect for a policy with a secondary guarantee at the beginning of the Observation Year.</p> <p>If Item 35, Type of Secondary Guarantee is blank, leave blank.</p> <p>If Item 35, Type of Secondary Guarantee is 00 through 23:</p> <p>1) For non-base segments, leave blank.</p> <p>2) For base segments:</p> <p>00 = If unknown whether the secondary guarantee is in effect</p> <p>01 = If secondary guarantee is not in effect</p> <p>02 = If secondary guarantee is in effect</p> <p>03 = If all secondary guarantees have expired</p> <p>If Item 35, Type of Secondary Guarantee is blank, leave blank.</p> <p>If Item 35, Type of Secondary Guarantee is 00 through 23:</p> <p>1) For non-base segments, leave blank.</p> <p>2) For base segments:</p>

**Section 23, Secondary Guarantee Policy Information**

For non-ULSG or non-VLSG products, leave blank

For non-base segments, leave blank

Round all dollar amounts to the nearest dollar. All values should be prior to any reinsurance cedes.

If an item is unknown, leave blank unless otherwise specified.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION
45 55 164	302-303 577-578	2	Operative Secondary Guarantee at the End of Observation Year/Actual Termination Date	<p>The company defines whether a secondary guarantee is in effect for a policy with a secondary guarantee at the end of the Observation Year/Actual Termination Date. The company defines whether a secondary guarantee is in effect for a policy with a secondary guarantee at the end of the Observation Year/Actual Termination Date.</p> <p>If Item 35, Type of Secondary Guarantee is blank, leave blank.</p> <p>If Item 35, Type of Secondary Guarantee is 00 through 23:</p> <p>1) For non-base segments, leave blank.</p> <p>2) For base segments in force at the end of observation year, enter the appropriate value below as of the end of observation year.</p> <p>00 = If unknown whether the secondary guarantee is in effect</p> <p>01 = If secondary guarantee is not in effect</p> <p>02 = If secondary guarantee is in effect</p> <p>03 = If all secondary guarantees have expired</p> <p>3) For base segments terminated during the observation year, enter the appropriate value below as of the Actual Termination Date (Item 26):</p> <p>00 = If unknown whether the secondary guarantee is in effect</p> <p>01 = If secondary guarantee is not in effect</p> <p>02 = If secondary guarantee is in effect</p> <p>03 = If all secondary guarantees have expired</p> <p>If Item 35, Type of Secondary Guarantee is blank, leave blank.</p> <p>If Item 35, Type of Secondary Guarantee is 00 through 23:</p> <p>For non-base segments, leave blank.</p> <p>For base segments in force at the end of observation year, enter the appropriate value below as of the end of observation year or as of the Actual Termination Date (Item 4836):</p> <p>00 = If unknown whether the secondary guarantee is in effect</p> <p>01 = If secondary guarantee is not in effect</p> <p>02 = If secondary guarantee is in effect</p> <p>03 = If all secondary guarantees have expired</p> <p>For base segments terminated during the observation year, enter the appropriate value below as of the Actual Termination Date (Item 26):</p> <p>00 = If unknown whether the secondary guarantee is in effect</p> <p>01 = If secondary guarantee is not in effect</p> <p>02 = If secondary guarantee is in effect</p> <p>03 = If all secondary guarantees have expired</p>

**Section 23, Secondary Guarantee Policy Information**

For non-ULSG or non-VLSG products, leave blank.

For non-base segments, leave blank.

Round all dollar amounts to the nearest dollar. All values should be prior to any reinsurance cedes.

If an item is unknown, leave blank unless otherwise specified.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION
46	275-276	3	State of Domicile	Use standard, two-letter state abbreviations codes (e.g., FL for Florida) for the state of the policy owner's domicile.  If outside of the U.S., leave blank.

Commented [MA19]: Moved to item 8

**Section 3, State of Domicile**

If an item is unknown, leave blank.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION
46	275-276	3	State of Domicile	Use Enter the standard, two-letter state abbreviations codes (e.g., FL for Florida) for the state of the policy owner's domicile/segment life's current state of domicile.  If unknown or outside of the U.S., leave blank.

**Section 4, Term Policy Information**

For non-term policies, leave blank.

If an item is unknown, leave blank.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION
47	32	3	Death Benefit Initial Term Period	1 = Level 2 = Increasing 3 = Decreasing
48	32	3	Death Benefit After Initial Term Period	1 = Level 2 = Increasing 3 = Decreasing
49	32	3	Death Benefit Payout	1 = Lump sum 2 = Income term - level payment 3 = Income term - increasing payment
50	32	3	Guaranteed Level Premium Period	01 = 1 year/AR 05 = 5 years 10 = 10 years 15 = 15 years 20 = 20 years 25 = 25 years 30 = 30 years 99 = Other
51	32	3	Anticipated Level Premium Period	01 = 1 year/AR 05 = 5 years 10 = 10 years 15 = 15 years 20 = 20 years 25 = 25 years 30 = 30 years 99 = Other

Commented [LH20]: For discussion: should Section 4 be left blank for non-base segments?

**Section 4 Term Policy Information**

For non-term policies, leave blank.  
If an item is unknown, leave blank.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION
53	304	1	Post-Level Premium Period	0 = No post-level premium period 2 = Attained-age premium — guaranteed only 3 = Attained-age premium — indeterminate 4 = Select and ultimate

**Commented [LH20]:** For discussion: should Section 4 be left blank for non-base segments?

**Section 45 Rider Information**

For non-base segments, leave blank.  
If an item is unknown, leave blank.

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION
53 56 165	304 579	1	Chronic Illness Rider	Does this policy contain this rider? 0 = No 1 = Yes (no separate charge) 2 = Yes (separate charge) 0 = Not offered 3 = Included (no separate charge) 4 = Not included (no separate charge) 5 = Selected (separate charge) 6 = Offered but not selected (separate charge)
54 57 166	305 580	1	Critical Illness Rider	Does this policy contain this rider? 0 = No 1 = Yes (no separate charge) 2 = Yes (separate charge) 0 = Not offered 3 = Included (no separate charge) 4 = Not included (no separate charge) 5 = Selected (separate charge) 6 = Offered but not selected (separate charge)
58 167	306 581	1	Long-Term Care Rider	Does this policy contain this rider? 0 = No 1 = Yes (no separate charge) 2 = Yes (separate charge) 0 = Not offered 3 = Included (no separate charge) 4 = Not included (no separate charge) 5 = Selected (separate charge) 6 = Offered but not selected (separate charge)
59 168	307 582	1	Guaranteed Insurability Rider	Does this policy contain this rider? 0 = No 1 = Yes (no separate charge) 2 = Yes (separate charge) 0 = Not offered 3 = Included (no separate charge) 4 = Not included (no separate charge) 5 = Selected (separate charge) 6 = Offered but not selected (separate charge)

**Section 45 Rider Information**

For non-base segments, leave blank

If an item is unknown, leave blank

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION
57 60 169	308 583	1	Return of Premium Rider	Does this policy contain this rider? 0 = No 1 = Yes (no separate charge) 2 = Yes (separate charge) 0 = Not offered 1 = Included (no separate charge) 2 = Not included (no separate charge) 3 = Selected (separate charge) 4 = Offered but not selected (separate charge)
58 61 170	309 584	1	Disability Rider (Waiver of Premium)	Does this policy contain this rider? 0 = No 1 = Yes (no separate charge) 2 = Yes (separate charge) 0 = Not offered 1 = Included (no separate charge) 2 = Not included (no separate charge) 3 = Selected (separate charge) 4 = Offered but not selected (separate charge)
59 62 171	310 585	1	Liquidity Rider	Does this policy contain this rider? 0 = No 1 = Yes (no separate charge) 2 = Yes (separate charge) 0 = Not offered 1 = Included (no separate charge) 2 = Not included (no separate charge) 3 = Selected (separate charge) 4 = Offered but not selected (separate charge)
60 63 172	311 586	1	Terminal Illness Rider	Does this policy contain this rider? 0 = No 1 = Yes (no separate charge) 2 = Yes (separate charge) 0 = Not offered 1 = Included (no separate charge) 2 = Not included (no separate charge) 3 = Selected (separate charge) 4 = Offered but not selected (separate charge)

**Appendix 2: Plan Design Data Elements and Format**

<b>Section 1. Basic Plan Information</b>				
If an item is unknown, leave blank unless otherwise specified.				
<b>ITEM</b>	<b>COLUMN</b>	<b>LEN</b>	<b>DATA ELEMENT</b>	<b>DESCRIPTION</b>
1	1-3	3	NAIC Company Code	Your NAIC Company Code
2	6-9	4	Observation Year	Enter Calendar Year of Observation
3	10-19	10	Data Plan Identifier	Unique identifier for each plan. May be sequential numbering or unique identifier used within the company. This field is used to tie a record in the policy file to this plan file.
4	20-29	10	Policy Form Number	If multiple policy forms are used for this plan, then enter the most commonly used form.
5	30-39	10	Application Form Number	If multiple application forms are used for this plan, then enter the most commonly used form.
6	40	1	Pre-Need (as defined in VM02)	0 = Unknown 1 = Not Pre-Need Policy 2 = Pre-Need Policy
7	41	1	Death Benefit Pattern	0 = Unknown 1 = Level (includes increases due to corridor) 2 = Modified Death Benefit 3 = Increasing 4 = Decreasing 5 = Flexible 6 = Other
8	42-43	2	Death Benefit Pattern Years	Number of years of grading before Death Benefit Pattern becomes level.  If Death Benefit does not become level then enter 99.  If Death Benefit not Increasing or Decreasing then leave blank.
9	44-45	2	Premium Pattern	00 = Unknown 01 = Single Premium 02 = Level Modal Premium payable for the life of the policy 03 = Graded Premium then Level 04 = Level Premium then Graded 05 = Renewable Term based on Attained Age (incl. ART) 06 = Renewable Term based on Issue Age 07 = Limited Pay Premium by number of years 08 = Paid up at a Specified Age 09 = Flexible 10 = RPU 11 = ET 12 = Other

Section 1. Basic Plan Information				
If an item is unknown, leave blank unless otherwise specified.				
ITEM	COLUMN	I	DATA ELEMENT	DESCRIPTION
10	46-47	1	Premium Pattern Years	Enter the number of years that will be used to describe the premium pattern.  If Premium Pattern is "0" or "1" leave blank If Premium Pattern is "2", enter "99" If Premium Pattern is "3", number of years of graded premiums If Premium Pattern is "4", number of years of level premium If Premium Pattern is "5" or "6", number of years in band for renewal term If Premium Pattern is "7", number of years of limited pay premiums If Premium Pattern is "8", enter paid up age If Premium Pattern is "9", "10", "11", or "12", enter "00"
11	48	1	Are applicants underwritten based on the same requirements?	0 = Requirements vary by Issue Age or Coverage Amount 1 = Additional Requirements ordered for Cause Only 2 = Requirements do not vary
12	49-50	1	Smoker Period Definition	Number of years to qualify for non-smoker/non-tobacco
13	51	1	Smoker Definition	1 = Cigarette (e.g. Cigarette, cigar, etc.) 2 = Tobacco (#1 and chewing tobacco) 3 = Nicotine (#1 or #2 with gum and/or patch) 4 = Vaping / e-Cigarettes 5 = Other
14	52	1	Marijuana Use Definition	Marijuana user is classified as: 1 = Non-smoker 2 = Smoker 3 = Non-smoker or smoker based on frequency of use 4 = Non-smoker if medical use or smoker if recreational use 5 = Edible Marijuana use

Section 2. Risk Class Structure				
If an item is unknown, leave blank unless otherwise specified.				
ITEM	COLUMN	I	DATA ELEMENT	DESCRIPTION
15	53	1	Preferred Class Structure Indicator	Preferred class structure means that, depending on the underwriting results, a policy could be issued in classes ranging from a best preferred class to a residual standard class.  0 = If no reliable information on multiple preferred and standard classes is available, or if the policy segment was issued substandard or if there were no multiple preferred and standard classes available for this policy segment or if preferred information is unknown.  1 = If this policy was issued in one of the available multiple preferred and standard classes for this policy segment.

**Section 2. Risk Class Structure**

If an item is unknown, leave blank unless otherwise specified.

ITEM	COLUMN	I	DATA ELEMENT	DESCRIPTION
16	54-55	1	Number of Classes in Nonsmoker Preferred Class Structure	If Preferred Class Structure Indicator is 0 or if Smoker Status is 0, 3 or 4, or if preferred information is unknown, leave blank.  For nonsmoker or no tobacco usage policies that could have been issued as one of multiple preferred and standard classes, enter the number of nonsmoker preferred and standard classes available at time of issue.
17	56-57	2	Number of Classes in Smoker Preferred Class Structure	If Preferred Class Structure Indicator is 0 or if Smoker Status is 0, 1 or 2, or if preferred information is unknown, leave blank.  For smoker or tobacco user policies that could have been issued as one of multiple preferred and standard classes, enter the number of smoker preferred and standard classes available at time of issue.

**Section 3. Term Policy Information**

For non-term products, leave blank.

If an item is unknown, leave blank.

ITEM	COLUMN	I	DATA ELEMENT	DESCRIPTION
18	58	1	Death Benefit Initial Term Period	1 = Level 2 = Increasing 3 = Decreasing
19	59	1	Death Benefit After Initial Term Period	1 = Level 2 = Increasing 3 = Decreasing
20	60	1	Death Benefit Payout	1 = Lump sum 2 = Income term - level payment 3 = Income term - increasing payment
21	61-62	2	Guaranteed Level Premium Period	01 = 1 year/AR 05 = 5 years 10 = 10 years 15 = 15 years 20 = 20 years 25 = 25 years 30 = 30 years 00 = Other
22	63-64	2	Anticipated Level Premium Period	01 = 1 year/AR 05 = 5 years 10 = 10 years 15 = 15 years 20 = 20 years 25 = 25 years 30 = 30 years 00 = Other

**Section 3. Term Policy Information**

For non-term products, leave blank.

If an item is unknown, leave blank.

ITEM	COLUMN	I	DATA ELEMENT	DESCRIPTION
22	5	1	Post Level Premium Period	1 = No post level premium period 2 = Attained age premium - guaranteed only 3 = Attained age premium - indeterminate 4 = Select and ultimate

**Appendix 3: Underwriting Specifications Data Elements and Format**

This will be submitted as a separate file.  
 There will be a separate record for each combination of coverage band and age band within each Specification Identifier  
 Items with asterisks represent key fields which define a unique record  
 Round all dollar amounts to the nearest dollar

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION
1*	1-5	5	NAIC Company Code	Your NAIC Company Code
2*	6-9	4	Observation Year	Enter Calendar Year of Observation
3*	10-18	9	Underwriting Specification Identifier	Sequential number or company defined identifier
4	19-26	8	Effective Date of Underwriting Specification	Date this specification was first used (format YYYYMMDD)
5	27-38	12	Minimum Face Amount	Minimum Face Amount allowed
6	39-41	3	Minimum Issue Age	Minimum Issue Age allowed
7	42-43	2	Number of Coverage Bands	Total number of Coverage Bands
8	44-45	2	Number of Age Bands	Total number of Age Bands
9*	46-47	2	Coverage Band Number	Specific Coverage Band for this Record
10	48-59	12	Maximum Face Amount this Coverage Band	Number
11	60-61	2	Age Band Number	Specific Age Band for this Record
12	62-64	3	Maximum Age this Age Band	Number
13	65	1	Attending Physician Statement	Is this item required for this Coverage and Age Group? 1 = Yes 2 = No
14	66	1	Para-Medical Exam	Is this item required for this Coverage and Age Group? 1 = Yes 2 = No
15	67	1	Physician Exam	Is this item required for this Coverage and Age Group? 1 = Yes 2 = No
16	68	1	Electronic Health Records	Is this item required for this Coverage and Age Group? 1 = Yes 2 = No
17	69	1	Personal History Interview	Is this item required for this Coverage and Age Group? 1 = Yes 2 = No

This will be submitted as a separate file.  
 There will be a separate record for each combination of coverage band and age band within each Specification Identifier  
 Items with asterisks represent key fields which define a unique record  
 Round all dollar amounts to the nearest dollar

ITEM	COLUMN	L	DATA ELEMENT	DESCRIPTION
18	70	1	Blood Sample	Is this item required for this Coverage and Age Group? 1 = Yes 2 = No
19	71	1	Urine / HOS specimen	Is this item required for this Coverage and Age Group? 1 = Yes 2 = No
20	72	1	Saliva / Oral fluid specimen	Is this item required for this Coverage and Age Group? 1 = Yes 2 = No
21	73	1	Stress Test	Is this item required for this Coverage and Age Group? 1 = Yes 2 = No
22	74	1	MIB	Is this item required for this Coverage and Age Group? 1 = Yes 2 = No
23	75	1	Prescription History	Is this item required for this Coverage and Age Group? 1 = Yes 2 = No
24	76	1	Motor Vehicle Records	Is this item required for this Coverage and Age Group? 1 = Yes 2 = No

## **Discuss Examples of Mortality Aggregation**

# Mortality Aggregation Examples

NAIC National Meeting  
Summer 2019

Rachel Hemphill, MAAA, FSA, FCAS

Pat Allison, MAAA, FSA

# Agenda

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- Key Concepts and Applicable VM-20 Language
- Examples and Comparison of Approaches
- Next Steps

# Key Concepts for Mortality Aggregation



Mortality segments subject to the same or similar underwriting processes may be aggregated to calculate credibility



Using separate mortality segment experience to set each corresponding assumption and then simply grouping the segments together to calculate credibility is not mortality aggregation under VM-20



The aggregate experience must inform the mortality segment assumptions; two approaches are allowed under VM-20

## VM-20 Section 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:

**a. Use techniques to further subdivide the aggregate experience**

Top Down  
Approach

into the various mortality segments (e.g., start with aggregate non-smoker 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), or

**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).**

Bottom Up  
Approach

# Mortality Aggregation Examples

## Disclaimer:

The examples presented are for illustrative purposes to demonstrate acceptable approaches. They are not intended to cover all complexities that may arise in practice. Additional variations and other methods may be appropriate. These examples are intended to illustrate general principles, not to be an exhaustive presentation of acceptable methods.

# Mortality Aggregation Example

Approach:  
“Bottom Up”

Level of Aggregation:  
All Segments

# Identify Segments for Aggregation

(1)	(2)
Groups of Policies	Segment Description
Segment 1	MNS Ultra Preferred
Segment 2	MNS Super Preferred
Segment 3	MNS Preferred
Segment 4	MNS Standard
Segment 5	MSM Preferred
Segment 6	MSM Standard
Segment 7	FNS Ultra Preferred
Segment 8	FNS Super Preferred
Segment 9	FNS Preferred
Segment 10	FNS Standard
Segment 11	FSM Preferred
Segment 12	FSM Standard
Aggregate	All Segments Combined

# Calculate Expected Claims and A/E Ratios

(1)	(3)	(4)	(5)	(6)
Groups of Policies	Mortality Tables: 2015 VBT ALB	Expected Claim Amounts Using (3)	Actual Claim Amounts	A/E
Segment 1	MNS RR 70	64	50	78.1%
Segment 2	MNS RR 80	343	300	87.5%
Segment 3	MNS RR 90	510	400	78.4%
Segment 4	MNS RR 110	617	500	81.0%
Segment 5	MSM RR 75	800	600	75.0%
Segment 6	MSM RR 125	833	700	84.0%
Segment 7	FNS RR 70	32	25	78.1%
Segment 8	FNS RR 80	226	200	88.5%
Segment 9	FNS RR 90	445	350	78.7%
Segment 10	FNS RR 110	545	450	82.6%
Segment 11	FSM RR 75	733	550	75.0%
Segment 12	FSM RR 125	756	650	86.0%
Aggregate		5904	4775	80.9%

# Calculate Credibility and Credibility-Weighted (CW) A/E

(1)	(7)	(8)	(9)	(10)	(11)
Groups of Policies	Credibility *	A/E +	Credibility Complement *	Aggregate A/E =	CW A/E
Segment 1	15%	* 78.1%	+ 85%	* 80.9%	= 80.5%
Segment 2	62%	* 87.5%	+ 38%	* 80.9%	= 85.0%
Segment 3	78%	* 78.4%	+ 22%	* 80.9%	= 79.0%
Segment 4	89%	* 81.0%	+ 11%	* 80.9%	= 81.0%
Segment 5	95%	* 75.0%	+ 5%	* 80.9%	= 75.3%
Segment 6	100%	* 84.0%	+ 0%	* 80.9%	= 84.0%
Segment 7	5%	* 78.1%	+ 95%	* 80.9%	= 80.7%
Segment 8	33%	* 88.5%	+ 67%	* 80.9%	= 83.4%
Segment 9	66%	* 78.7%	+ 34%	* 80.9%	= 79.4%
Segment 10	75%	* 82.6%	+ 25%	* 80.9%	= 82.1%
Segment 11	92%	* 75.0%	+ 8%	* 80.9%	= 75.5%
Segment 12	98%	* 86.0%	+ 2%	* 80.9%	= 85.9%
Aggregate	100%				

# Perform Calculations to Maintain Conservation of Deaths

(1)	(4)	(5)	(11)	(12)	(13)	(14)
				Col(4)*Col(11)	Col(11)*NR	Col(4)*Col(13)
Groups of Policies	Expected Claim Amounts	Actual Claim Amounts	CW A/E	CW Expected Claim Amounts	Normalized CW A/E	Normalized Expected Claim Amounts
Segment 1	64	50	80.5%	51	80.6%	52
Segment 2	343	300	85.0%	291	85.1%	292
Segment 3	510	400	79.0%	403	79.1%	404
Segment 4	617	500	81.0%	500	81.2%	501
Segment 5	800	600	75.3%	602	75.4%	603
Segment 6	833	700	84.0%	700	84.2%	701
Segment 7	32	25	80.7%	26	80.9%	26
Segment 8	226	200	83.4%	188	83.6%	189
Segment 9	445	350	79.4%	353	79.6%	354
Segment 10	545	450	82.1%	448	82.3%	449
Segment 11	733	550	75.5%	553	75.6%	554
Segment 12	756	650	85.9%	649	86.0%	650
Aggregate	5904	4775		4766		4775

**Normalization Ratio (NR) = 4775 / 4766: 1.001905**

# Set the Assumption for Company Experience Mortality Rates

(1)	(3)	(13)	(15)
Groups of Policies	Mortality Tables: 2015 VBT ALB	Normalized CW A/E	Company Experience Mortality Rates
Segment 1	MNS RR 70	80.6%	80.6% of 2015 VBT MNS RR 70 ALB
Segment 2	MNS RR 80	85.1%	85.1% of 2015 VBT MNS RR 80 ALB
Segment 3	MNS RR 90	79.1%	79.1% of 2015 VBT MNS RR 90 ALB
Segment 4	MNS RR 110	81.2%	81.2% of 2015 VBT MNS RR 110 ALB
Segment 5	MSM RR 75	75.4%	75.4% of 2015 VBT MSM RR 75 ALB
Segment 6	MSM RR 125	84.2%	84.2% of 2015 VBT MSM RR 125 ALB
Segment 7	FNS RR 70	80.9%	80.9% of 2015 VBT FNS RR 70 ALB
Segment 8	FNS RR 80	83.6%	83.6% of 2015 VBT FNS RR 80 ALB
Segment 9	FNS RR 90	79.6%	79.6% of 2015 VBT FNS RR 90 ALB
Segment 10	FNS RR 110	82.3%	82.3% of 2015 VBT FNS RR 110 ALB
Segment 11	FSM RR 75	75.6%	75.6% of 2015 VBT FSM RR 75 ALB
Segment 12	FSM RR 125	86.0%	86.0% of 2015 VBT FSM RR 125 ALB

## VM-20 Section 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:

**a. Use techniques to further subdivide the aggregate experience**

Top Down  
Approach

into the various mortality segments (e.g., start with aggregate non-smoker 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), or

**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).**

Bottom Up  
Approach

# Mortality Aggregation Example

Approach:  
“Top Down”

2 Levels of Aggregation:  
Smoker Segments,  
Non-Smoker Segments

# Identify Segments for Aggregation

<b>(1)</b>	<b>(2)</b>
<b>Groups of Policies</b>	<b>Segment Description</b>
Segment 1	MNS Ultra Preferred
Segment 2	MNS Super Preferred
Segment 3	MNS Preferred
Segment 4	MNS Standard
Segment 5	MSM Preferred
Segment 6	MSM Standard
Segment 7	FNS Ultra Preferred
Segment 8	FNS Super Preferred
Segment 9	FNS Preferred
Segment 10	FNS Standard
Segment 11	FSM Preferred
Segment 12	FSM Standard
Aggregate NS	All Non-Smoker Segments Combined
Aggregate SM	All Smoker Segments Combined

# Calculate Relativity Structure (here based on RR Tool output)

(1)	(3)	(4)	(5)	(6)
Groups of Policies	Mortality Tables: 2015 VBT ALB	Expected Claim Amounts Using (3)	Actual Claim Amounts	A/E
Segment 1	MNS RR 70	200	187	93.5%
Segment 2	MNS RR 80	484	495	102.3%
Segment 3	MNS RR 90	533	520	97.6%
Segment 4	MNS RR 110	582	563	96.7%
Segment 5	MSM RR 100	525	545	103.8%
Segment 6	MSM RR 125	833	850	102.0%
Segment 7	FNS RR 70	175	182	104.0%
Segment 8	FNS RR 80	335	320	95.5%
Segment 9	FNS RR 90	425	384	90.4%
Segment 10	FNS RR 110	542	531	98.0%
Segment 11	FSM RR 100	490	500	102.0%
Segment 12	FSM RR 150	725	745	102.8%
Aggregate NS		3276	3182	97.1%
Aggregate SM		2573	2640	102.6%
<b>Aggregate Non-Smoker Credibility:</b>			100%	
<b>Aggregate Smoker Credibility:</b>			85%	

# Set the Assumption for the Company Experience Mortality Rates

(1)	(3)	(7)	(8)	(9)
Groups of Policies	Mortality Tables: 2015 VBT ALB	Aggregation Level	Aggregate A/E	Company Experience Mortality Rates
Segment 1	MNS RR 70	Non-Smoker	97.1%	97.1% of 2015 VBT MNS RR 70 ALB
Segment 2	MNS RR 80	Non-Smoker	97.1%	97.1% of 2015 VBT MNS RR 80 ALB
Segment 3	MNS RR 90	Non-Smoker	97.1%	97.1% of 2015 VBT MNS RR 90 ALB
Segment 4	MNS RR 110	Non-Smoker	97.1%	97.1% of 2015 VBT MNS RR 110 ALB
Segment 5	MSM RR 100	Smoker	102.6%	102.6% of 2015 VBT MSM RR 100 ALB
Segment 6	MSM RR 125	Smoker	102.6%	102.6% of 2015 VBT MSM RR 125 ALB
Segment 7	FNS RR 70	Non-Smoker	97.1%	97.1% of 2015 VBT FNS RR 70 ALB
Segment 8	FNS RR 80	Non-Smoker	97.1%	97.1% of 2015 VBT FNS RR 80 ALB
Segment 9	FNS RR 90	Non-Smoker	97.1%	97.1% of 2015 VBT FNS RR 90 ALB
Segment 10	FNS RR 110	Non-Smoker	97.1%	97.1% of 2015 VBT FNS RR 110 ALB
Segment 11	FSM RR 100	Smoker	102.6%	102.6% of 2015 VBT FSM RR 100 ALB
Segment 12	FSM RR 150	Smoker	102.6%	102.6% of 2015 VBT FSM RR 150 ALB

# Comparison of Approaches

	<u>"Top Down" Example</u>	<u>"Bottom Up" Example</u>
<b>Methodology</b>	Uses relativities to subdivide the aggregate experience into mortality segments.	Uses credibility weighting to adjust the experience of each mortality segment to reflect the aggregate experience.
<b>Source of experience data</b>	Uses a company experience study A/E for the aggregate class(es), along with pre-defined expected relativities between mortality segments determined from a reliable and applicable external source.	Uses company experience study A/E and credibility results for all individual mortality segments and for the aggregate class.

# Comparison of Approaches

	<u>"Top Down" Example</u>	<u>"Bottom Up" Example</u>
<b>Updates based on new experience studies</b>	<p>The aggregate class A/E ratios(s) and aggregate credibility must be updated based on each new company experience study. The relativities would not change unless the external source (e.g. RR Tool, reinsurer) indicates that relationships between segments have changed or the external source data is no longer representative of the company experience.</p>	<p>The aggregate class and individual mortality segment credibilities and A/E ratios must be updated based on each new company experience study.</p>

# Comparison of Approaches

	<u>"Top Down" Example</u>	<u>"Bottom Up" Example</u>
<b>Conservation of deaths</b>	Conservation of deaths is maintained using the normalization process, such that the total amount of expected claims is not less than the aggregate.	
<b>Prudent estimate assumptions</b>	Anticipated experience assumptions are likely to be different by approach, but prescribed margins would be the same if the same level of aggregation is used to determine credibility.	

# Mortality Aggregation Examples

Other examples have  
been developed.  
See Excel spreadsheet.

# Next Steps

Consider exposing examples  
for public comment

Review comments and revise  
accordingly

Post examples to the Industry  
Tab on the NAIC website

**Consider Exposure/Adoption of *Valuation Manual***  
**Amendments**

## Actuarial Guideline (VAED)

### Background:

Beginning in 2015, the NAIC commissioned a study of the reserve and RBC framework for Variable Annuity products. The study concluded that the existing requirements resulted in non-economic volatility, providing incentive for companies to engage in the use of financial planning techniques that the NAIC deemed inappropriate. Considerable effort was spent to develop and test updates to the reserve and RBC framework to address these issues. That revised framework was adopted by the NAIC during 2018, and the changes to NAIC models, the NAIC Valuation Manual, and the NAIC Life RBC instructions have been developed and adopted by the NAIC on August [xx], 2019. By the provisions of the SVL (Model 820), the changes to the Valuation Manual will be effective on January 1, 2020 and impact subsequent financial statements.

During the discussion of the Framework by the Variable Annuities Issues Working Group, the question was raised whether companies would have the option to ‘early adopt’; that is, to apply the new framework for the reserve and RBC values used for the December 31, 2019 financial statements. Since the new framework has been determined to provide improved financial measurement of the company’s liability and risk, there was agreement that optional application of the new framework for the December 31, 2019 financial statements would be appropriate.

### Guideline:

A company may elect to apply the VM-21 requirements from the 2020 NAIC *Valuation Manual* as the *Valuation Manual* requirements for the valuation on December 31, 2019. For such election, the phase-in provision of *Valuation Manual* VM-21 Section 2.B. may not be elected. Any company electing early adoption of VM-21 shall also:

1. apply the provisions of Actuarial Guideline XLIII as amended for 2020 to the December 31, 2019 valuation of contracts within the scope of that guideline,
2. apply the Life RBC instructions for 2020 in the calculation of C-3 RBC in LR027 for 2019,
3. follow the documentation and certification requirements of VM-31 from the 2020 Valuation Manual for the Variable Annuity Business. In the VA Summary, clearly indicate the use of the new requirements in the section on change in methods from prior year, and
4. notify the Commissioner of the state of domicile of such elections.

**Hear an Update on the Interstate Insurance Product  
Regulation Commission (Compact)**

**No Materials**

**Hear an Update on International Insurance  
Developments**

# **LATF INTERNATIONAL UPDATE**

## **SUMMER NATIONAL MEETING – AUGUST 2019**

***PRESENTER: JOSH WINDSOR***

# A Full Agenda of IAIS Activities

- Holistic Framework for Systemic Risk in the Insurance Sector
- Insurance Core Principles (“ICPs”)
- ComFrame- A Common Framework for the Supervision of IAIGs
- Insurance Capital Standard v 2.0 (“ICS”)
- US approach to the ICS – the Aggregation Method

# **Holistic Framework (“HF”) for Systemic Risk in the Insurance Sector**

# Holistic Framework for Systemic Risk in the Insurance Sector

- Currently being crafted/finalized for approval by the November 2019 IAIS meeting in Abu Dhabi
- Based on previous work which began in 2013 on Systemic Risks by the G20 Financial Stability Board and the IAIS
- Combines the previous/current Individual entity-based assessment methodology for GSIs with an Activities Based Approach
- Takes into account both salient sources of systemic risk:
  - potential knock-on effects from the failure or distress of individual insurers
  - propagation or amplification of shocks from even solvent firms, through their collective risk exposures or responses to shocks
- Moves from additional policy measures applied to a relatively small group of insurers (the identified G-SIs), to an approach with a proportionate application of enhanced macroprudential policy measures to a broader portion of the insurance sector

# Who are the GSIs and IAIGs

- IAIGs are “Large” insurance groups that meet certain criteria, such as \$50 Bn in assets (alternative test of premium income) and international activity
- Nine GSIs including 3 US domiciled groups) have been identified since 2014 and subjected to additional policy measures
- There is no current IAIG list although there has been discussion as to whether one should be published
- Special measures applicable to IAIGs are consolidated in ComFrame. ComFrame has now been embedded in the ICPs

# Elements of the Holistic Framework

The HF Incorporates the following elements:

- Enhanced set of supervisory policy measures
- Global monitoring exercise by the IAIS
- Supervisors' intervention powers
- Consistent application of the framework
- An assessment of the enhanced on-going supervisory policy measures and powers of intervention

A good briefer on these elements is the Consultation Document issued by the IAIS on 14 November 2018

# Enhanced Set of Supervisory Policy Measures

- Incorporated in the Insurance Core Principles (“ICPs”) – these will be discussed in a few moments
- Pre-emptive part of the HF
- Aims to prevent insurance sector vulnerabilities/exposures from developing into potential systemic risk
- On-going supervisory requirements applied to insurers,
- Enhanced macroprudential surveillance by supervisors
- Crisis management planning

# Planning the Holistic Framework

	<i>Policy measure</i>	<i>Scope</i>		
		<i>ICP: Legal entity / Group</i>	<i>ComFrame: IAIG</i>	<i>G-SII Package: G-SII<sup>29</sup></i>
Macroprudential surveillance	Enhance link of macroprudential monitoring to the supervisory framework	●	●	●
Requirements on insurers	Liquidity management & planning	○	●	●
	Strengthened enterprise risk management	○	●	●
	Disclosure requirements on liquidity risk	●	●	●
	Higher loss absorbency (HLA)			●
Crisis management and planning	Crisis management groups		●	●
	Recovery plan	○	●	●
	Resolution plan		○	●
Powers of intervention	Preventive and corrective measures based on macroprudential concern	○	○	○
	Including reporting on the management of systemic risk	○	○	● (SRMP)

[ ] Not applicable; [○] Required as necessary only; [●] Required; [●] G-SII Policy measure

*Table 2 Overview of supervisory policy measures*

# **Global Monitoring Exercise by the IAIS**

## **(see section 4.2 of the Consultation Document)**

- Combined with the macroprudential monitoring and assessment by supervisors
- Builds on Micro Prudential considerations
- Designed to detect the possible build-up of systemic risk in the global insurance market
- Survey of supervisors' data

# Supervisors' Intervention Powers

- Supervisors to have at their disposal a sufficiently broad set of preventive and corrective measures to be able to respond appropriately to the macroprudential concern

# Consistent Application of the Framework

- Aims for a coordinated consistent supervisory response to potential global systemic risk
- Requires collective discussion on the assessment of potential systemic risks and an appropriate supervisory response

# **Insurance Core Principles (“ICPs”) - Introduction**

# Insurance Core Principles - Introduction

- Aim is to provide a globally accepted framework for the supervision of the insurance sector
- ICPs apply to the supervision of all insurers and therefore will be relevant to all of us present in this room.
- The supervisors will in turn apply these strictures to insurers
- Currently under revision– most recent update was November 2018
- Introduction to ICPs is very important to those unfamiliar with the ICPs.
- Range from ICP 1: objectives, powers & responsibilities of supervisors to ICP 26: Cross border cooperation and coordination on crisis management.

# More about the ICPs

- Embedded in the ICPs are special sections applicable to IAIGs.
- The sum of these special sections is known as ComFrame
- Observance by US supervisors will be monitored by the IAIS and probably the IMF.

# ICPs - Current Status

- Consultation document for responses by 15 August – so there is time yet for submitting comments
- About half a dozen ICPs have been updated in line with the Holistic Framework (249 pages in the redline version).
- In particular ICP 24 – Macroprudential surveillance and insurance supervision.
- Changes made to the IAIS Glossary
- Modifications primarily crafted to address macroprudential supervision

# **Insurance Capital Standard v 2.0 (“ICS”)**

# Insurance Capital Standard v 2.0

- International Capital Standard for IAIGs
- The ICS is expected to be adopted in Abu Dhabi for confidential reporting during a five-year “Monitoring Period”
- Subject to yet another (sixth) round of Field Testing
- Some 40+ volunteers are taking part including a number of US domiciled insurance groups
- Public Field Testing package was posted on 25 June 2019, consisting of
  - Technical specifications (314 pages)
  - Qualitative Questionnaire (185 pages)
  - Field testing Excel template (more than 10,000 cells)
  - Field testing yield curves
- Warning: Some minor template errors have been corrected via patches – provided only to the volunteers

# What will happen between now and November?

- A number of important issues are still being discussed
- Several meetings will be held in Basel to review and analyze Field Testing data
- Meetings of the working groups and committees to discuss the results of the analyses
- Discussions at senior levels of the IAIS to attempt to agree on version 2.0
- Version 2.0 will be a MAV based ICS as the default valuation basis, but may include a GAAP with Adjustments valuation approach, and use of internal models

# After November...

- Commencement of a five year monitoring period (MP) to evaluate the performance of the ICS v 2.0
- Not yet decided as to what will happen during the MP
- It is not clear when version 2.0 will become a PCR; but not during the MP
- Confidential reporting to supervisors
- Other methods of determining the ICS will be reviewed for comparability
  - GAAP with Adjustments (also known as GAAP +)
  - Internal Models
  - Aggregation method
- Hopefully we shall be able to provide more clarity in LATF's December meeting

# **A US Alternative Approach to the ICS – the Aggregation Method (AM)**

# Why Implement the AM?

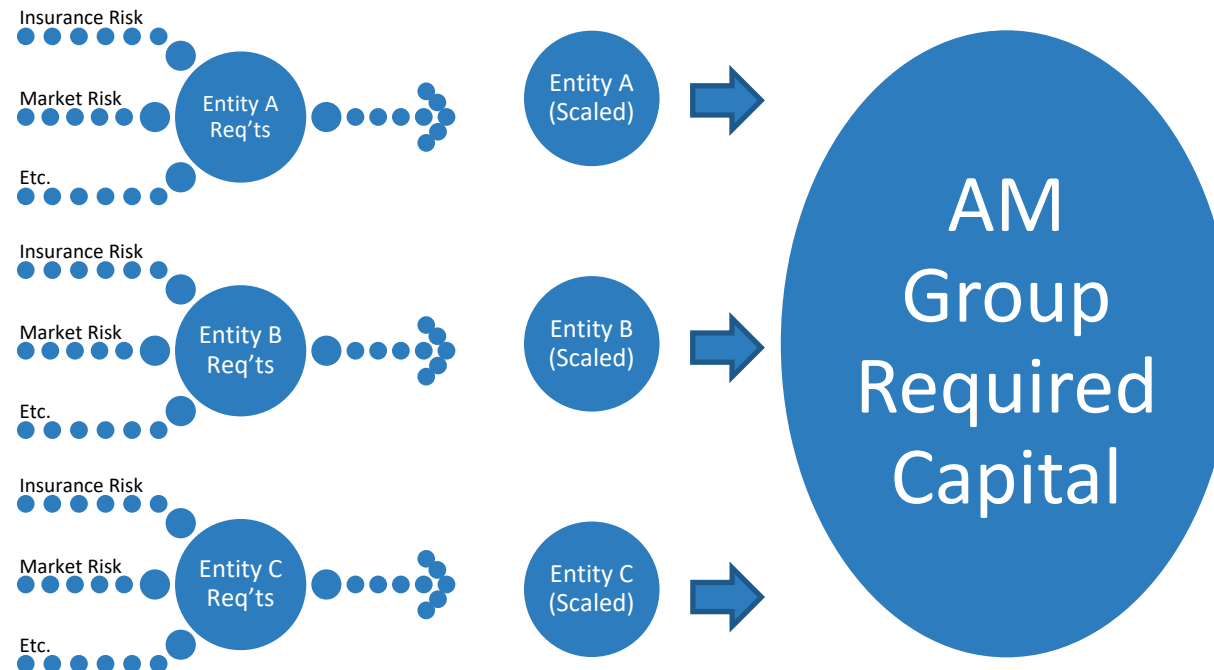
- AM was introduced to the IAIS in order to present an alternative group capital approach for jurisdictions, making implementation of the ICS on a global basis a viable option.
- An Aggregation Method builds on existing capital regimes
  - Avoids the time and resources to build, test, implement, and educate about a totally new capital regime.
  - Preserves competitive level playing field within jurisdictions by applying the same capital framework to both domestic IAIGs and non-IAIGs.
  - Minimizes volatility and procyclical behavior, while more appropriately reflects the risks of products that are unique and important to local markets.
- Provides a group lens to capital adequacy, while maintaining legal entity building blocks that allow supervisors to analyze, identify and address capital deficiencies where they reside.

# What is the Aggregation Method?

- The Aggregation Method (AM) leverages proven legal entity reported available and required capital to produce a measure of group capital adequacy.
- The AM is being developed such that it can be implemented in different jurisdictions.
  - In the U.S., via the NAIC's 'Group Capital Calculation' and the Federal Reserve's 'Building Block Approach'
- The IAIS is collecting data from interested jurisdictions that will assist in the development of the AM. Through this approach, the IAIS aims to be in a position by the end of the monitoring period to assess whether the aggregation method provides comparable outcomes to the ICS.
- As its name implies, its principal approach is a measured aggregation of capital requirements in different jurisdictions rather than consolidation which is the ICS approach.

# How Does AM Assess Risk?

- Under AM, individual charges for risk at the legal entity level are carried through to the group level.
- Scaling ensures that the required capital is comparable across entities and at an appropriate level.



# Key Attributes

Indifferent to  
Corporate  
Structure

- Location of an entity within the group and/or intragroup transactions should not impact group-level results

Reflect  
Appropriate  
Regimes

- Reflects insurance/financial entities under existing solvency regimes and non-insurance entities under appropriate alternatives
- Captures products that are relevant to local jurisdictions.
- Leverages existing solvency frameworks and tailored approaches to risk

Transparency

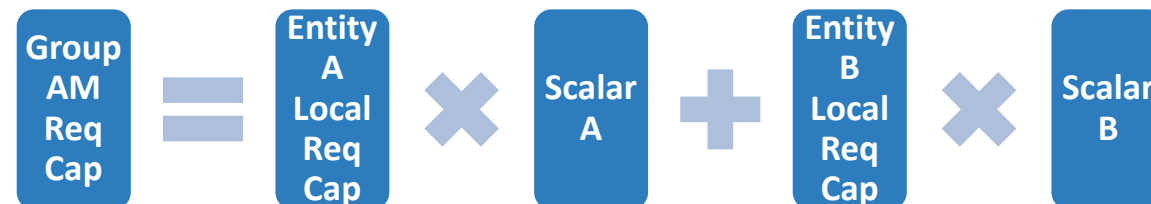
- Provides supervisors with array of valuable information for assessing risks at the legal entity level within the group

Comparability

- Group level results reflect comparable levels of risk through scaling of entity results

# Calibration & Scalars

- In AM, the required capital for each entity is the local required capital (at PCR level or equivalent) multiplied by a scalar.
  - The total required capital is the sum of the scaled required capital of the individual entities.
- Calibration of the AM is mainly about scalars
  - All else equal, higher scalars mean higher safety levels.
  - The sum of two entities' capital requirements is calibrated to at least as high a level as the individual components
- The ICS is a “minimum standard” and so, at least from quantitative perspective, any standard with safety level of at least 99.5% should be comparable.



# **SOME HELPFUL ACRONYM HINTS**

**AM– Aggregation Method**

**ComFrame – Common Framework for Supervision of Internationally Active Insurance Groups**

**FSAP– Financial Sector Assessment Program**

**GAAP– Generally Accepted Accounting Principles**

**GSII– Global Systemically Important Insurer**

**IAIG– Internationally Active Insurance Group**

**IAIS– International Association of Insurance Supervisors**

**ICPs– Insurance Core Principles**

**ICS – [Global] Insurance Capital Standard**

**MAV– Market Adjusted Valuation**

**MP– Monitoring Period**



**Hear an Update on the Yearly Renewable Term**  
**(YRT) Field Test**

# Yearly Renewable Term (YRT) Insurance Field Test LATF Summer 2019 Update

Jason Kehrberg, MAAA, FSA  
Chairperson, YRT Field Test Project Oversight Work Group  
American Academy of Actuaries



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# Summary of issue and need for field study

- ❑ Calculating principle-based reserves requires the interpretation and application of principles and guidance contained in the Valuation Manual
- ❑ Although differences in actuarial judgment in the application of principles are expected, materially different interpretations may be cause for concern
- ❑ Different interpretations of current VM-20 guidance has led to a variety of methods for projecting future YRT premium rates, with the potential for inconsistent results and irrational reserve differences between companies
- ❑ Several amendments have been proposed offering different methods for projecting future YRT premium rates, but the impacts these proposals could have on the universe of YRT reinsurance arrangements is unclear
- ❑ A robust field study is needed to understand these impacts and to select an appropriate method to incorporate YRT reinsurance in reserves



# Historical context

Date	Activity
11/7/17	Academy letter outlining differing methods for projecting YRT premium rates
6/21/18	Discussion of issue on a Life Actuarial Task Force (LATF) call; support expressed for remedy proposals
10/24/18	Item #26 in Valuation Analysis Working Group's (VAWG) PBR Recommendations and Referrals to LATF
11/13/18	APF 2018-58 exposed at LATF fall meeting (later withdrawn)
2/28/19	APFs 2019-17 and 2019-24 exposed on LATF call
4/18/19	APF 2019-30 exposed, along with four proposals for an interim solution
6/20/19	APF 2019-39 adopted as an interim solution

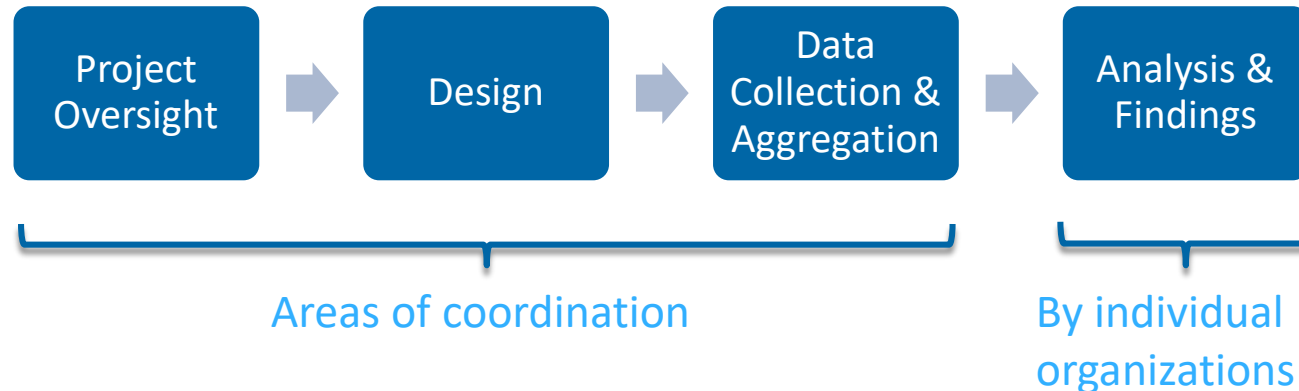
# The interim solution

- As an interim solution, on 6/20/19 after much discussion LATF adopted APF 2019-39, jointly prepared by the Staff of Office of Principle-Based Reserving, California Department of Insurance and NAIC Support Staff
- A simple  $\frac{1}{2}$  cx approach for non-guaranteed YRT reinsurance reserve credits (no modeling of the corresponding reinsurance cash flows)
- Mandatory for 2020 valuations, optional for 2019 valuations
- Must be applied to policies issued on or after 1/1/20 (to ease the impact on companies already selling products priced under VM-20, may optionally be applied to policies issued on or after 1/1/17 and before 1/1/20)
- A temporary measure until consensus can be developed around a long-term solution informed by principle-based methodologies tested in the field study



# Organization considerations

- LATF would like there to be a near-term field study to support its decision of which, if any, of the methodologies to adopt as a long-term solution.
- Groups within the Academy also support a field study and LATF, the Academy, and the industry have indicated willingness to work together to provide input, help coordinate, and execute a field study:



# Organization considerations (continued)

- Representatives from stakeholder organizations formed an informal project oversight group to provide top-level direction and oversight in good faith, ensure confidentiality, and otherwise coordinate resources for a multi-organizational YRT field test.
- The group has met biweekly since 6/12 and on its 6/26 call agreed to form a Design Subgroup to get started on key front-end design work.

Ensuring access to aggregate data while maintaining confidentiality of individual participant data is key to the success of the field test (e.g., by making sure there is an adequate number of participants)



# Design subgroup

- The Design Subgroup is chaired by Pat Allison.
- Their kickoff call was July 16. The subgroup is meeting biweekly to expedite the front-end work of drafting a design document, participant list, and participant instructions.
- Examples of design decisions the group is working on include:
  - Which methods and approaches should be included for testing in the study?
  - Which types of products and YRT treaties should be tested?
  - How should instructions and data elements vary between direct writers and reinsurers?
  - Should the solution be based on a company's level of credibility?
  - Should testing use company-specific models or a third-party model office?
  - Which quantitative and qualitative output and disclosures should be captured to meet the needs of the multiple organizations involved?



# Tight Proposed Timeline

## Draft milestone dates illustrate the aggressive timeline needed to affect the 2021 VM

8/15/19	High-level design document and list of participants (draft ready for review)
8/31/19	Participant instructions (draft ready for review)
9/15/19	Instructions finalized and sent to participants
12/15/19	All requested data and disclosures received from participants
1/31/20	Data collected, cleaned, and aggregated (draft ready for review)
2/15/20	Aggregate data finalized and shared for analysis by individual organizations
4/15/20	Findings/recommendations by individual organizations submitted to LATF

Use of a third-party consultant may be necessary and is being considered.



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# Risks

- Very aggressive timeline
- Too few companies participating in the study. In order to keep company participant data confidential this could limit the amount of aggregate data that can ultimately be made available to the individual organizations for them to do their analysis and produce complete findings and recommendations
- Anything that could jeopardize confidentiality of individual participant data
- Delays that could cause conflict with company participant year-end work
- Additional time for contracting if a third-party consultant is engaged, especially if the consultant is to play a role in design



# Questions?

- Jason Kehrberg, MAAA, FSA  
Chairperson, YRT Field Test Project Oversight Work Group
  
- Ian Trepanier  
Life Policy Analyst  
American Academy of Actuaries  
[Trepanier@actuary.org](mailto:Trepanier@actuary.org)





## **Hear an Update on the YRT Field Test Design**

# Update on YRT Field Test Design | Summary of APFs

APF #	Proposed By	Comments	Test?
<a href="#">2019-39</a>	CA OPBR NAIC PBR	1/2 cx approach. LATF adopted as interim solution on 6/20/19.	Yes, this is needed as a baseline to compare against.
<a href="#">2019-17</a>	CA OPBR NAIC PBR	Set YRT margin proportional to prescribed mortality margin and implicit mortality margin related to future mortality improvement (FMI).	Yes, but these APFs are being considered together since they build on each other. Testing may include different periods of FMI (e.g. 5, 7, 10, and 15 years) using SOA mortality improvement, and may include optional recapture.
<a href="#">2019-24</a>	John Hancock Transamerica Prudential	Set YRT margin proportional to prescribed mortality margin (not including implicit mortality margin related to FMI).	
<a href="#">2019-42</a>	John Hancock Transamerica Prudential	50/50 compromise between 2019-17 and 2019-24. Increase premiums by backing out FMI. Consider 5, 10 or 15 years of FMI.	
<a href="#">2019-40</a>	Lincoln Financial Group	Clarify principles while leaving as actuarial judgement.	Yes, but further clarify principles prior to testing (this may apply to all APFs).
<a href="#">2019-41</a>	Global Atlantic	Assume no margins on both YRT reinsurance premiums and YRT reinsurance claims (unless related to counterparty impairment/default risk), e.g. decrease benefits by reflecting FMI.	Yes, but consider modifications prior to testing.
<a href="#">2018-58</a>	New York Life Northwestern Mutual	Assume immediate increase in non-guaranteed YRT premium rates to achieve breakeven point in aggregate (not treaty by treaty). Based on cedant perspective.	No, outcome would likely be similar to 2019-39. Has treaty grouping rules. Consider as principle?
<a href="#">2019-30</a>	MN Dept of Commerce	Use actuarial judgement but cap at 1/2 cx. Equals the lesser of 2019-39 and 2019-40.	No, simply calculate as Min(2019-39, 2019-40).

**Hear an Update on the Proposal for the Valuation**  
**Manual Treatment of Conversion Mortality**

# Proposed APF for Fall 2019 LATF Consideration

## 2021 Valuation Manual Treatment of Reserves, VM-31 Documentation, and VM-50 and VM-51 Statistical Reporting for Conversion Mortality

**Leonard Mangini, MAAA, FSA, FALU, FRM**  
**Chairperson, Life Reserves Work Group**  
**August 1, 2019**



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# Issue Summary—1

- Most term life insurance—whether written on a Group Life chassis or an Individual Life policy form—contains contractual provisions that permit the group certificate-holder or individual life policyholder to convert their existing coverage to a permanent individual life contract.
- In many cases, the insured life has higher expected mortality than a newly underwritten individual life contract and, *depending on the expected mortality underlying the valuation of the permanent product*, may present the insurer with additional risk.
- As discussed below, the Valuation Manual already requires that if the additional risk is material, it must be reserved for—regardless of whether the “source” term product or the “destination” permanent product is subject to principle-based valuation.
- Because this additional risk is situationally dependent, industry practice varies widely in how the magnitude of this extra risk is assessed and also how a particular insurer might establish an appropriate statutory reserve commensurate with the amount of that extra risk.



# Issue Summary—2

- LATF informed the Academy’s LRWG that an APF addressing this issue was welcome, *and in fact needed, because* Life PBR Actuarial Reports to date inconsistently disclosed:
  - Whether conversion options are offered by various products
  - The amount of excess mortality expected from conversions and whether or not this excess mortality is considered material by the Company’s defined materiality standards
  - How this excess mortality has been captured by the insurer within its mortality segmentation
  - Whether conversion reserves ***have even been established***
  - If conversion reserves are held, how they were calculated
  - The “geography” of such conversion reserves within the annual statement
  - How this “geography” changes, if at all, at the time of conversion
- LATF indicated a desire to have the LRWG propose such an APF by the fall of 2019 so that it might be exposed/adopted during 2019 to signal the will of LATF, be available for “early adoption” with domicile regulator approval, and be included in the 2021 VM.



# Outline of LRWG Proposed APF on Conversions—1

- Add an *explicit* requirement in the **VM Introduction** (*not in VM-20*) that the insurer must assess whether Group Term Life and Individual Term Life products contain conversion options that may lead to material excess mortality risk and must establish a conversion reserve if such risks are not already provided for otherwise.
- This would be part of the VM required language and NOT an optional Guidance Note.



# Outline of LRWG Proposed APF on Conversions—2

- Do NOT recommend prescribing a method for calculating conversion reserves due to the diversity of contract provisions and circumstances which may lead to excess conversion mortality.
- Simply require that conversion reserves should account for all material risks and that the method used to determine the reserve be disclosed.



# Outline of LRWG Proposed APF on Conversions—3

This disclosure is intended to permit regulators, *over time*, to:

- ▣ assess the diversity of industry practice
- ▣ decide whether existing practices lead to the establishment of appropriate reserves
- ▣ And if not—whether prescribed assumptions or methods are needed to lead to industry consistency and appropriateness.



# Outline of LRWG Proposed APF on Conversions—4

- Amend VM-31 to **require** disclosure within the Life PBR Actuarial Report of:
  - Group term and Individual term products with contractual provisions that grant conversion privileges
  - A description of specific conversion terms and limitations that might influence mortality risk
  - Excess conversion mortality experience arising from both Group and Individual Term, *as applicable*
  - The exposure period over which conversion data was collected and whether contractual conversion terms changed materially during the experience exposure period
  - Whether this is the Company's own relevant, current, credible conversion mortality experience
  - Margins for uncertainty and statistical error that have been added to Company experience, their magnitude, and a description of how these margins were determined



# Outline of LRWG Proposed APF on Conversions—5

- Amend VM-31 to **require** disclosure within the Life PBR Actuarial Report of:
  - Whether conversion experience was derived from a source **other** than the Company's experience, and an explanation of why Company experience was not used and why this particular data source was chosen instead
  - Margins for uncertainty and statistical error that have been added to this other source of experience, their magnitude, and a description of how these margins were determined
  - How this particular source of conversion data is compatible with the contractual conversion terms provided for in the term product converted out of and whether the data source adequately reflects any changes in conversion provisions during the experience period



# Outline of LRWG Proposed APF on Conversions—6

- Further amend VM-31 to **require** disclosure in the Life PBR Actuarial Report of:
  - Whether any excess conversion mortality is considered material in terms of the Company’s defined materiality criteria
  - Whether conversion mortality is its own mortality segment
  - Whether the excess mortality is included within the “mortality level” of other existing mortality segments
  - Whether mortality segments including conversion experience have been aggregated and how this aggregation was performed to avoid “distortions”



# Outline of LRWG Proposed APF on Conversions—7

- Further amend VM-31 to **require** disclosure in the Life PBR Actuarial Report of:
  - Where “geographically” conversion reserves have been established, and how this changes over time: e.g., do they reside in reserves for the “source” product until a conversion occurs and are they then transferred to reserves for the “target” permanent product?
  - How conversion reserves are calculated for the “source” Group Term and Individual Term products, whether these methods vary by product, and if so, why
  - A description of the Individual permanent products provided to the insured as a result of the “conversion”, and whether, and to what extent, reserves for the “target” permanent products already provide for expected excess conversion mortality
  - How any additional conversion reserves are calculated for the “target” Permanent products, if it does not already provided for excess conversion mortality itself



# Outline of LRWG Proposed APF on Conversions—8

- Amend VM-50 and VM-51 to **require** reporting to the statistical agent of the Company’s conversion mortality experience so that industry conversion tables can eventually be created for various contractual conversion privileges
- Recommendations:
  - Provide a “phase-in” period for reporting to provide sufficient time for insurers to program their systems in order to to comply with required submission content and formats
  - Define a materiality level at which an insurer is exempt from conversion mortality statistical reporting to avoid burdening smaller insurers whose experience is not likely to impact the validity and comprehensiveness of these industry conversion mortality tables
  - Exempt reinsurers from the statistical reporting requirement to avoid double-counting the experience of direct carriers and also because reinsurers may not be able to identify whether a “newly” assumed reinsured permanent policy actually arose from a conversion



# Rationale for Amending the 2019 VM Introduction

- As explained below, the LRWG believes a “plain reading” of the existing 2019 VM Introduction already *implicitly* requires an insurer consider whether conversion reserves should be established
- The inconsistent disclosures observed by LATF surrounding conversion mortality and conversion reserves suggests that the existing 2019 VM language may not be clear enough, and as a result the LRWG recommends that the **Introduction section of the VM be modified**. This is a natural geography for any clarifying edits, as shall become evident.
- The LRWG suggests that any requirements should NOT be embedded within VM-20 because conversion reserves might not involve principle-based reserves (i.e., they might collapse into an NPR reserve, consist of a large fixed NSP, or if the permanent conversion product is in the “Other” category it may be governed by VM-A and VM-C).
- The LRWG recommends this NOT be a Guidance Note so that it has the force of regulation



# Rationale for Amending the 2019 VM Introduction

## Tax Considerations from the Academy's Tax Work Group

Any method that might be prescribed as a result of regulators monitoring disclosed industry practices may want to consider the following feedback from the Academy's Tax Work Group:

- Separate pre-conversion reserves and post-conversion reserves are currently tax-deductible under a provision for certain additional risks. The Tax Work Group added that the tax code does not define how these additional reserves are to be calculated other than that the reserves are reasonable.
- In order for basic policy reserves to be tax-deductible it needs to be based on an NAIC reserve method. This raised the question for products subject to full PBR of whether the additional risk should be calculated directly in the basic reserve or if it needs to be valued and held separately. This will depend on what is defined in the Valuation Manual to address the additional risk.
- The basic reserve for non-conversion life policies can be subtracted from a recalculated basic reserve with the additional risks of conversion and this difference be used as a separate post-conversion reserve amount.



# Existing 2019 VM Language Covers Life Contingencies via SSAP 50

## Section II on Reserve Requirements under Life Insurance Products (Section A) states:

“This subsection establishes reserve requirements for all contracts issued on and after the operative date of the *Valuation Manual* that are classified as life contracts as defined in SSAP No. 50 in the AP&P Manual, with the exception of annuity contracts and credit life contracts. Minimum reserve requirements for annuity contracts and credit life contracts are provided in other subsections of the *Valuation Manual*.”



# SSAP 50 defines life contingent risks as those that arise from BOTH Group Life and Individual Life

□ SSAP No. 50 defines Life Insurance Contracts with life contingencies to include the following contracts:

- Whole life
- Endowment
- Term life
- Supplementary life
- Group life
- Franchise life
- Universal life
- Variable life
- Limited payment
- Credit life
- Annuity

Applying this definition, both Group Life and Individual Life contracts are subject to the requirements of the VM.



# Existing 2019 VM Language *Implicitly* Requires Consideration of Establishing Additional Conversion Reserves—1

In the Introductory Section of the VM, there is a subsection “Overview of Reserve Concepts.” This distinguishes between reserves and capital essentially through a “negative principle”:

“Risks ***not to be included in reserves*** are those of a general business nature, those that are ***not associated with the policies or contracts being valued***, or those that are best viewed from the company perspective as opposed to the policy or contract perspective. These risks may involve the need for a liability separate from the reserve, or may be provided for in capital and surplus.”



# Existing 2019 VM Language *Implicitly* Requires Consideration of Establishing Additional Conversion Reserves—2

The “Overview of Reserve Concepts” section goes on to include mortality risk as a risk “associated with the policies or contracts,” and this in the view of the LRWG would logically extend to any excess conversion mortality:

“Because no list can be comprehensive and applicable to all types of products, ***this section of the Valuation Manual provides examples of the general approach to the determination of the meaning of “associated with the policies or contracts”*** while recognizing that each relevant section of the *Valuation Manual* will deal with this issue from the perspective of the products subject to that section. **Examples of risks to be included** in a principle-based valuation include risks associated with policyholder behavior (such as lapse and utilization risk), **mortality risk**, interest rate risk, asset default risk, separate account fund performance and the risk related to the performance of indices for contractual guarantees.”



# Modifications to VM-50 and VM-51 which Coordinate with the separate proposed LRWG APF on Individually UW Business on a Group Chassis- 1

The following changes were recommended by the LRWG in a proposed APF to clarify that group certificates meeting certain requirements should follow the same reserve requirements as other individual ordinary life contracts. Items 5 and 6 on the next slide and thus Items 1 and 2 on this slide are relevant here as well.

- 1) Clarify the minimum reserve requirements for group life and franchise life contracts which, other than the difference between issuing a policy and issuing a certificate, have the same or mostly similar contract provisions, risk selection process, and underwriting as individual ordinary life contracts;
- 2) Add language to allow application of VM-A and VM-C for these group life certificates prior to 1/1/202x;
- 3) Add new paragraph, VM-20, Section 1.B, to clarify group life certificates issued using individual risk selection processes, including a definition for individual risk selection process, are subject to the requirements of VM-20;
- 4) Add guidance note after first sentence in VM-20, Section 2.A.1, to clarify applicability to group life insurance certificates that meet the individual risk selection process definition;



## Modifications to VM-50 and VM-51 which Coordinate with the separate proposed LRWG APF on Individually UW Business on a Group Chassis-2

The following changes were recommended by the LRWG in a proposed APF to clarify that group certificates meeting certain requirements should follow the same reserve requirements as other individual ordinary life contracts. Items 5 and 6 on the next slide and thus Items 1 and 2 on this slide are relevant here as well.

- 5) Modify VM-51 to no longer exempt individually solicited group life and franchise life contracts which meet the requirements and definitions under items (1) and (2) above; and
- 6) Modify VM-51, Appendix 4, to no longer exempt individually solicited group life contracts which meet the requirements under items (1) and (2) above.



# Questions?

- Leonard Mangini, MAAA, FSA, FRM, FALU  
Chairperson, Life Reserves Work Group
  
- Ian Trepanier  
Life Policy Analyst  
American Academy of Actuaries  
[Trepanier@actuary.org](mailto:Trepanier@actuary.org)





**Hear an Update on SOA Research and Education**

# SOA Research Update to LATF

**DALE HALL**

**SOA Managing Director of Research**

August 1-2, 2019



# 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.*

# Insurance Regulatory Issues in the US

- Overview of interviews with practitioners from the insurance industry, consulting, and regulators
- Highlights current industry practices, the regulatory environment, and emerging issues around data analysis and predictive analytics for ratemaking
- As the use of predictive analytics evolves, emphasis on models and methods having appropriate demonstrations
- <https://www.soa.org/globalassets/assets/files/resources/research-report/2019/insurance-regulatory-issues-us.pdf>



May 2019

# Pri-2012 Exposure Draft: Highlights

- A total of 70 individual tables based on over 16 million life-years of exposure and 343,000 deaths
- Most plan sponsors that update from RP-2006 tables to Pri-2012 tables will experience a small change in pension liabilities, usually within plus or minus 1%
- Collar type and income level shown to be significant indicators of mortality
- After controlling for other factors, multiemployer plan participants did not exhibit significantly different mortality than single-employer plan participants

# Pri-2012 Exposure Draft: Impact

Comparison of Monthly Deferred-to-62 Annuity Due Values  
 Percentage Change of Moving from RP-2006 to PRI-2012 as of 1/1/2019

	Age	Total Dataset	Blue Collar	White Collar	Bottom Quartile	Top Quartile
Females	25	0.3%	-1.2%	-0.5%	0.4%	-1.3%
	35	0.3%	-1.3%	-0.5%	0.5%	-1.3%
	45	0.3%	-1.3%	-0.5%	0.6%	-1.3%
	55	0.3%	-1.3%	-0.6%	0.6%	-1.3%
	65	0.0%	-1.3%	-0.7%	0.6%	-1.7%
	75	-1.1%	-1.1%	-1.2%	0.6%	-4.5%
	85	-1.4%	-1.3%	-1.8%	-0.4%	-6.9%
	95	0.7%	0.7%	0.1%	0.7%	-6.5%
Males	25	0.6%	1.4%	-0.3%	-1.4%	-2.9%
	35	0.8%	1.6%	-0.2%	-1.1%	-2.9%
	45	1.0%	1.7%	0.0%	-0.8%	-2.8%
	55	0.8%	1.3%	-0.1%	-0.8%	-2.8%
	65	0.1%	0.5%	-0.3%	-1.3%	-3.1%
	75	-0.9%	0.0%	-1.3%	-1.0%	-4.7%
	85	-2.5%	-1.3%	-2.9%	-0.6%	-4.7%
	95	-2.6%	-1.6%	-2.9%	-2.3%	-1.7%

- Most populations see aggregate changes within +/- 1%
- Largest decrease for Top Quartile

# Pri-2012 Exposure Draft: Variations

Comparison of Monthly Deferred-to-62 Annuity Due Values as of 1/1/2019  
PRI-2012 Subpopulations to PRI-2012 Total Dataset

	Age	Total Dataset	Blue Collar	White Collar	Bottom Quartile	Top Quartile
Females	25	N/A	-3.1%	2.0%	-2.1%	1.5%
	35	N/A	-3.3%	2.1%	-2.2%	1.5%
	45	N/A	-3.4%	2.2%	-2.1%	1.5%
	55	N/A	-3.3%	2.3%	-1.7%	1.3%
	65	N/A	-3.0%	2.4%	-0.9%	1.1%
	75	N/A	-2.5%	3.7%	-0.6%	1.4%
	85	N/A	-2.4%	3.2%	-0.3%	1.5%
	95	N/A	-0.5%	0.6%	0.0%	0.1%
Males	25	N/A	-3.3%	4.5%	-7.1%	3.4%
	35	N/A	-3.4%	4.7%	-7.2%	3.5%
	45	N/A	-3.5%	4.9%	-7.1%	3.5%
	55	N/A	-3.4%	4.9%	-6.8%	3.4%
	65	N/A	-3.4%	4.9%	-5.9%	3.4%
	75	N/A	-4.0%	5.1%	-5.3%	4.8%
	85	N/A	-3.5%	4.3%	-2.9%	5.0%
	95	N/A	-0.8%	1.2%	-0.4%	1.2%

- White Collar annuity factors higher than Top Quartile

**SOA LIFE RESEARCH IN PROGRESS - August 2019**

<b>Project Name</b>	<b>Objective</b>	<b>Expected Completion Date</b>
Economic Scenario Generator - 2019 update	Update the AAA Economic Scenario Generator Annually.	<sup>1</sup> Complete. On SOA web site.
2000-2017 U.S. Historical Population Mortality Rates	Publish unsmoothed SSA-Style historical mortality rates for 2000-2017.	7/31/2019
GRET for 2020	Develop the Generally Recognized Expense Table (GRET) for 2020 purposes.	8/6/2019
2016 Variable Annuity Guaranteed Living Benefit Utilization Study	Examine the utilization of guaranteed living benefit options on variable annuity policies under a Joint SOA/LIMRA project.	8/30/2019
2019 Life Mortality Improvement	Develop AG38 mortality improvement assumptions for YE 2019.	9/30/2019
Fixed Index Annuity Lapse and Guaranteed Living Benefit Utilization Study	Examine lapse and the utilization of guaranteed living benefit options on fixed index annuity policies under a Joint SOA/LIMRA project.	10/15/2019
Accelerated Underwriting	Determine the definition of accelerated underwriting business and design the data request for an accelerated underwriting study.	10/31/2019
2005-17 Structured Settlement Mortality Study	Examine the mortality experience from 2005-17 in structured settlements arising from personal injury claims.	12/31/2019
2011-15 Deferred Annuity Mortality Study	Examine the mortality experience from 2011-15 in deferred annuity contracts.	12/31/2019
Individual Life Waiver of Premium Study	Review mortality and lapse experience where waiver of premium provisions apply.	12/31/2019
2000-2014 Post Level Term Mortality and Lapse - Report	Complete a study of mortality and lapse on term policies in the post level premium period - data request phase.	9/30/2020

<sup>1</sup> <https://www.soa.org/resources/tables-calcs-tools/research-scenario/>

**SOA LIFE RESEARCH IN PROGRESS - August 2019**

<b>Project Name</b>	<b>Objective</b>	<b>Expected Completion Date</b>
2017 Living to 100 Symposium - Phase 3 - Summary of Content	Update current Living to 100 content summary report with content from the 2017 100 Symposium.	<sup>1</sup> Complete. On SOA web site.
Genetic Testing, Family History and Mortality	Examines the impact of genetic testing on the life insurance industry.	<sup>2</sup> Complete. On SOA web site.
Illustrating Multiple Measurement Bases and Their Application Phase II (Earnings Emergence)	Perform analysis of financial statement results for two products: a 10-year level term life insurance policy and a universal life with secondary guarantee ("ULSG") policy.	<sup>3</sup> Complete. On SOA web site.
Investment Year Method as a Feasible Strategy to Address Sudden Changes in the Interest Rate Environment	Examines the use of the investment year method under varying interest rate environmental changes.	<sup>4</sup> Complete. On SOA web site.
Mortality Analysis of 1900 Birth Cohort	Analyzes US 1900 birth cohort mortality.	<sup>5</sup> Complete. On SOA web site.
Practical Analysis of PBR Mortality Credibility	Examines the impact of VM-20 mortality credibility requirements on life insurers and of the potential solutions for increasing credibility levels.	<sup>6</sup> Complete. On SOA web site.
Valuation Methodology & Assumptions Beyond the Yield Curve	Investigates methodologies that are employed for valuing liability cash flows that extend beyond the maximum observable portion of the yield curve.	<sup>7</sup> Complete. On SOA web site.
Life Insurance Accelerated Underwriting Survey-Phase 1: Preliminary Results	Examines life insurance accelerated underwriting programs and practices.	<sup>8</sup> Complete. On SOA web site.
Life Insurance Accelerated Underwriting Survey-Phase 2: Final Results and Full Report	Examines life insurance accelerated underwriting programs and practices.	9/30/2019
Simplified Methodologies	Investigates simplifications, approximations, and modeling efficiency techniques allowed under VM-20 for determining reserves.	8/31/2019
Reinsurance Treaty Recapture	Compile an inventory of life reinsurance recapture treaty provisions and terms across industry.	9/30/2019
Public Perception of Longevity and its Drivers	Examines the public perceptions of longevity.	10/15/2019
Modelling and Forecasting Cause-of-Death Mortality	Develop mortality projection models and produce cause of death mortality forecasts.	10/31/2019
Negative Interest Rates	Examines the potential impact of a sustained negative interest rate environment on the insurance industry.	10/31/2019
Human Mortality Database - 2019 Projects	Enhances the Human Mortality Database by focusing on state level mortality tables and expanding causes of death mortality tables for more countries.	12/31/2019

<sup>1</sup> <https://www.soa.org/resources/research-reports/2019/living-100-insights/>

<sup>2</sup> <https://www.soa.org/resources/research-reports/2018/impact-genetic-testing/>

<sup>3</sup> <https://www.soa.org/resources/research-reports/2018/earnings-emergence/>

<sup>4</sup> <https://www.soa.org/resources/research-reports/2019/investment-year-method/>

<sup>5</sup> <https://www.soa.org/research-reports/2018/birth-cohort/>

<sup>6</sup> <https://www.soa.org/resources/research-reports/2019/practical-analysis-pbr-mort-cred/>

<sup>7</sup> <https://www.soa.org/resources/research-reports/2019/yield-curve-report/>

<sup>8</sup> <https://www.soa.org/resources/research-reports/2019/accelerated-underwriting/>



**Hear an Update on the Academy PBR Governance  
Work Group**

# Principle-Based Reserves (PBR) Resources From the Life Practice Council of the American Academy of Actuaries



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Donna Claire, MAAA, FSA, CERA  
Chairperson, PBR Governance Work Group

# PBR Page on Academy Website

- ▣ Go to [actuary.org](http://actuary.org) and click on Principle-based Reserving (navigation bar on right or bottom)



OR

- ▣ [www.actuary.org/content/pbr-practice](http://www.actuary.org/content/pbr-practice)
- ▣ Page includes a PBR Toolkit



# Academy PBR Toolkit

## ACADEMY PBR TOOLKIT

- [The Details Behind PBR Implementation](#)
- [Model Governance Checklist](#)
- [Model Governance Practice Note](#)
- [Life Principle-Based Reserves Under VM-20](#)
- [Principle-Based Reserves for Life Products](#)
- [Economic Scenario Generators](#)
- [Life PBR Assumptions Resource Manual](#)

## ACADEMY COMMENTS ON PBR

- [Life Insurance Issues \(VM-20\)](#)
  - [Variable Annuity Issues \(VM-21\)](#)
  - [Fixed Annuity Issues \(VM-22\)](#)
  - [Long Term Care Issues \(VM-25\)](#)
  - [RBC Requirements Under PBR](#)
- 3 • Read [reports](#) from Life Practice Council groups to the NAIC on the principle-based project.

## NAIC RESOURCES

- [Valuation Manual 2018-2019 Comparison](#)
- [Valuation Manual](#), published January 2019
- [VM Maintenance Agenda](#)
- [SVL Model Law](#)
- [VM-20 / VM-22 Tables](#)
- [NAIC Impact Study of VM-20 on PBR for Life Insurance](#)
- [Life Actuarial \(A\) Task Force of the NAIC](#)
- [2017 PBR Review Report](#)

## ACADEMY PUBLICATIONS ON PBR

- [SVL Legislation in Brief](#)
- [PBA Perspectives](#)



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# Academy PBR Toolkit (cont.)

## PBR PRACTICE NOTES

[Life Principle-Based Reserves Under VM-20](#) (January 2019)

[Model Governance](#) (April 2017)

[Common Practices of Examining Actuaries Involved in Statutory Financial Solvency Examinations of Life and Health Insurers](#)

[More Practice Notes](#)

## ACADEMY PRESENTATIONS AND STATEMENTS ON PBR

[PBR for Regulatory Actuaries](#)

[More Presentations](#)

[Read all Academy public statements related to PBR](#)



# Academy PBR Toolkit (cont.)

## PBR-RELEVANT ASOPS

ASOP 52: [Principle-Based Reserves for Life Products under the NAIC Valuation Manual](#)  
[More ASOPs](#)

## PBR QUALIFICATION STANDARDS

### [Qualification Standards Response on PBR](#)

What are the minimum requirements an actuary should consider to be qualified to render opinions related to PBR under the U.S. Qualification Standards? This question and answer came from the Academy's Committee on Qualifications, which developed a list of [frequently asked questions](#) for actuaries.



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# Practice Note on PBR Projections

- Contains questions and answers related to projecting future principle-based reserve and capital calculations
- Focuses on VM-20, but also applicable to other frameworks
- In Academy review: Goal is to have the document out soon



# One-Page “PBR Sheet”

- The PBR Checklist Task Force is preparing a one-page reference of important characteristics to consider for PBR valuations
- Can act as a reminder to actuaries as to all the tasks as well as letting senior management know the extent of issues that need to be considered
- Group has just started its work; goal is to be done this year



# PBR Analysis Template

- Academy group under Pat Allison is developing ways to display PBR data:
  - Examples: waterfalls, trend analysis graphs
  - Advantages: one picture is worth a 1,000 words
- Group has just started its work; goal is to be done this year



# Update to VM-20 Practice Note

- Work on updates to VM-20 Practice Note to reflect changes effective in the 2020 Valuation Manual is in process
- Target release for this update in the fall



# Seminars/Webinars

- Had a very successful 2½-day seminar in Orlando in April 2019
  - Will have another if demand warrants it
- Also conducting webinars: e.g., Academy PBR Resources Update, which was in June 2019



# Questions/Suggestions

- Anything else the Academy can do to help you with PBR?



# Contact

- Donna Claire, MAAA, FSA, CERA  
Chairperson, PBR Governance Work Group  
American Academy of Actuaries
  
- Ian Trepanier  
Life Policy Analyst  
American Academy of Actuaries  
[Trepanier@actuary.org](mailto:Trepanier@actuary.org)





**Hear an Update from the Academy Council on**  
**Professionalism**

**No Materials**

**Discuss Any Other Matters Brought Before the Task**  
**Force**