MEETING MATERIALS PACKET

LIFE ACTUARIAL (A) TASK FORCE

August 10-11, 2026

NAIC SUMMER NATIONAL MEETING

Draft date: 8/3/26

2026 Summer National Meeting
Columbus, Ohio

LIFE ACTUARIAL (A) TASK FORCE
Monday, August 10, 2026
8:00 a.m. – 4:30 p.m.
Hilton Tower 401—Bellows Ballroom A-D—Lower Level

Tuesday, August 11, 2026
8:00 – 10:00 a.m.
Hilton Tower 401—Bellows Ballroom A-D—Lower Level

ROLL CALL

NAIC Member	Representative	State/Territory
Amanda Crawford, Chair	Rachel Hemphill	Texas
Scott A. White, Vice Chair	Craig Chupp	Virginia
Mark Fowler	Sanjeev Chaudhuri	Alabama
Heather Carpenter	Sharon Comstock	Alaska
Peter M. Fuimaono	Elizabeth Perri	American Samoa
Ricardo Lara	Ahmad Kamil	California
Joshua Hershman	Wanchin Chou	Connecticut
Ann Gillespie	Matt Cheung	Illinois
Holly W. Lambert	Scott Shover	Indiana
Doug Ommen	Mike Yanacheak	Iowa
Vicki Schmidt	Nicole Boyd	Kansas
Marie Grant	Nour Benchaaboun	Maryland
Grace Arnold	Fred Andersen	Minnesota
Angela L. Nelson	William Leung	Missouri
Eric Dunning	Michael Muldoon	Nebraska
Ned Gaines	Maile Campbell	Nevada
Susan Ochs	David Wolf	New Jersey
Kaitlin Asrow	William B. Carmello	New York
Remedio C. Mafnas	Maryann Borja-Arriola	Northern Mariana Islands
Judith L. French	Matt Elston	Ohio
Glen Mulready	Andy Schallhorn	Oklahoma
TK Keen	Tashia Sizemore	Oregon
Michael Humphreys	Steve Boston	Pennsylvania
Carter Lawrence	Eric Scott	Tennessee
Jon Pike	Tomasz Serbinowski	Utah

NAIC Committee Support: Scott O'Neal/Amy Fitzpatrick

AGENDA

Monday, August 10, 2026

8:00 – 8:05 a.m.	1. Consider Adoption of its Minutes and Written Subgroup Reports —*Rachel Hemphill (TX)*
8:05 – 9:30 a.m.	2. Discuss the Work of the Valuation Manual (VM)-22 (A) Subgroup —*Ben Slutsker (MN)* A. Discuss Comments on Retrospective Application B. Discuss Amendment Proposal Form (APF) 2026-XX GICS/Funding Agreements C. Consider Adoption of the Report of the VM-22 (A) Subgroup
9:30 – 9:45 a.m.	3. Hear an Update on the Work of the Life Insurance and Annuities Illustrations (A) Working Group—*Ben Slutsker (MN)*
9:45 – 10:00 a.m.	Break
10:00 – 10:45 a.m.	4. Discuss Asset Portfolio Segmentation Between Principle-Based Reserves (PBR) and Pre-PBR Lines of Business—*Ben Slutsker (MN)*
10:45 – 11:15 a.m.	5. Discuss the Work of the Generator of Economic Scenarios (GOES) (E/A) Subgroup—*Mike Yanacheak (IA)* A. Hear Comments on the GOES Model Governance Framework B. Consider Adoption of the Report of the GOES (E/A) Subgroup
11:15 – 11:30 a.m.	6. Consider Adoption of the Report of the Experience Reporting (A) Subgroup—*Fred Andersen (MN)*
11:30 a.m. – 12:15 p.m.	7. Consider Exposure of the 2026 VM-20, Requirements for Principle-Based Reserves for Life Products, Historical Mortality Improvement (HMI) and Future Mortality Improvement (FMI) Rates—*Marianne Purushotham (Society of Actuaries—SOA)*
12:15 – 1:45 p.m.	Lunch
1:45 – 2:30 p.m.	8. Hear an Update on the SOA's Development of a New Valuation Basic Table (VBT)—*Mary Bahna-Nolan (SOA)*

2:30 – 3:00 p.m.	9. Hear an Update from the American Academy of Actuaries (Academy) A. Council on Professionalism and Education—*Laura Hanson (Actuarial Standards Board—ASB), Linda Lankowski (Committee on Qualifications), and Shawna Ackerman (Actuarial Board for Counseling and Discipline—ABCD)* B. Life Practice Council—*Tricia Matson (Academy) and Seong-min Eom (Academy)* C. Hear Update on the Review of the VM-20 Spread and Default Methodology—*Seong-min Eom (Academy)*
3:00 – 3:15 p.m.	Break
3:15 – 3:30 p.m.	10. Hear an Update on SOA Research and Education —*R. Dale Hall (SOA)*
3:30 – 3:45 p.m.	11. Consider Exposure of the 2026 Generally Recognized Expense Table (GRET) Recommendation—*R. Dale Hall (SOA) and Yutaro Seki (SOA)*
3:45 – 4:00 p.m.	12. Receive an Update on *Actuarial Guideline LIII—Application of the Valuation Manual for Testing the Adequacy of Life Insurer Reserves* (AG 53) Reports—*Fred Andersen (MN)*
4:00 – 4:30 p.m.	13. Hear an update on *Actuarial Guideline LV—Application of the Valuation Manual for Testing the Adequacy of Reserves Related to Certain Life Reinsurance Treaties* (AG 55) Reports —*Fred Andersen (MN)*
4:30 p.m.	14. Discuss Other Matters Brought Before the Task Force

Tuesday, August 11, 2026

8:00 – 10:00 a.m.	15. Regulator-to-Regulator Session
10:00 a.m.	Adjournment

Agenda Item 1

Consider Adoption of its Minutes

and Written Subgroup Reports

Draft: 8/4/2026

Life Actuarial (A) Task Force
Virtual Meeting
July 30, 2026

The Life Actuarial (A) Task Force met July 30, 2026. The following Task Force members participated: Amanda Crawford, Chair, represented by Rachel Hemphill (TX); Scott A. White, Vice Chair, represented by Craig Chupp (VA); Mark Fowler represented by Sanjeev Chaudhuri (AL); Ricardo Lara represented by Ahmad Kamil and Thomas Reedy (CA); Joshua Hershman represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Ann Gillespie represented by Matt Cheung (IL); Holly W. Lambert represented by Scott Shover (IN); Marie Grant represented by Nour Benchaaboun (MD); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Angela L. Nelson represented by William Leung (MO); Susan Ochs represented by David Wolf (NJ); Ned Gaines represented by Maile Campbell (NV); Kaitlin Asrow represented by William B. Carmello (NY); Judith L. French and Matt Elston (OH); Glen Mulready represented by Kate Yang (OK); TK Keen represented by Joshua Blakey (OR); Michael Humphreys represented by Steve Boston (PA); Carter Lawrence represented by Eric Scott (TN); and Jon Pike represented by Tomasz Serbinowski (UT).

1. Heard a Presentation from the SOA on HMI and FMI

Marianne Purushotham (Society of Actuaries—SOA) presented an update (Attachment A) on the SOA's preliminary thinking on the 2026 historical mortality improvement (HMI) and future mortality improvement (FMI) scales for *Valuation Manual* (VM)-20, Requirements for Principle-Based Reserves for Life Products. Purushotham said the purpose of this discussion was to obtain preliminary feedback from Task Force members and interested parties and that the SOA will present a preliminary recommendation and request exposure at the Summer National Meeting. Hemphill noted that the updated HMI and FMI rates must be adopted by the Task Force and posted by the SOA by the end of September each year.

Purushotham reviewed the current HMI methodology that uses the most recent 10-year insured historical data available (2013–2023) and bridges two gap years to the valuation year. Purushotham then described a new method under consideration for 2026 that uses a new SOA tool drawing on Centers for Disease Control and Prevention (CDC) and general-population census data through 2025 to calculate the gap years directly. Purushotham said the new method produces a large increase in mortality improvement at certain ages. Because the historical component is similar between the two methods, the difference reflects the gap-year data, which shows unusually strong mortality improvement in 2023 through 2025 associated with recovery from COVID-19 health and opioid-related mortality. Purushotham said the SOA is leaning toward retaining the prior long-term averaging method for the 2026 scale to avoid artificial year-to-year reserve volatility and will continue to evaluate the new method for the 2027 scale.

Purushotham said the FMI methodology will not change for 2026. The scale grades from the HMI level over the first 10 years to a long-term rate and holds that level for years 10 through 15, and then grades to zero by year 20. Purushotham said the FMI considerations include GLP-1 drugs, rising cancer incidence at younger ages, and environmental and health-care impacts.

Hemphill said the HMI and FMI assumptions must fit together and that it makes sense to avoid the reserve volatility a COVID-type deterioration-and-recovery cycle would introduce. Asaf Gal (MetLife) asked about the long-term FMI improvement level, and Purushotham said the approximately 1% annual improvement reflects all causes of death, not GLP-1 drugs alone. Spencer Peterson (Thrivent) asked whether a phased or graded transition could be used. Purushotham said the SOA discussed a graded approach but deferred it to 2027 because the new method may introduce inherent volatility. Hemphill concluded the discussion on HMI and FMI, noting that the future exposure will include the rates in Excel.

2. Exposed Updates to the *Financial Analysis Handbook* and *Financial Condition Examiners Handbook*

Hemphill said that the Task Force had received referrals from the Financial Analysis Solvency Tools (E) Working Group and the Financial Examiners Handbook (E) Technical Group to consider updating the *Financial Analysis Handbook* and the *Financial Condition Examiners Handbook*, respectively, for the latest updates to the *Valuation Manual* and actuarial guidelines. Hemphill said NAIC committee support drafted updates to reflect changes including VM-22, Requirements for Principle-Based Reserves for Non-Variable Annuities, VM-21, Requirements for Principle-Based Reserves for Variable Annuities, VM-31, PBR Actuarial Report Requirements for Business Subject to a Principle-Based Valuation, *Actuarial Guideline LIII—Application of the Valuation Manual for Testing the Adequacy of Life Insurer Reserves* (AG 53), and *Actuarial Guideline LV—Application of the Valuation Manual for Testing the Adequacy of Reserves Related to Certain Life Reinsurance Treaties* (AG 55).

Scott O'Neal (NAIC) said both handbooks previously focused on VM-20 and that the most extensive edits build out new sections addressing VM-21 and VM-22. O'Neal said additional sections capture the AG 53 and AG 55 processes and highlight enhancements to VM-31 reporting requirements.

Hemphill encouraged state insurance regulators to review the guidance with their state financial analysts and examiners. Hemphill exposed the proposed revisions to the *Financial Analysis Handbook* and *Financial Condition Examiners Handbook,* along with the associated referrals, for a 30-day public comment period ending Aug. 28.

3. Reported Regulator-to-Regulator Sessions

Hemphill disclosed that the Task Force met July 16 and July 9 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities, or individuals) and paragraph 6 (consultations with NAIC staff members related to NAIC technical guidance) of the NAIC Policy Statement on Open Meetings. Hemphill said that the July 16 session included committee support advice and a review of company-specific illustration data, and the July 9 session included a company presentation that requested the use of international mortality tables. Hemphill noted that the Task Force also plans to meet in regulator-to-regulator session at the Summer National Meeting.

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

Draft: 7/22/26

Life Actuarial (A) Task Force
Virtual Meeting
June 18, 2026

The Life Actuarial (A) Task Force met June 18, 2026. The following Task Force members participated: Amanda Crawford, Chair, represented by Rachel Hemphill (TX); Scott A. White, Vice Chair, represented by Craig Chupp (VA); Heather Carpenter represented by Sharon Comstock (AK); Mark Fowler represented by Sanjeev Chaudhuri (AL); Ricardo Lara represented by Ahmad Kamil and Thomas Reedy (CA); Joshua Hershman represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Ann Gillespie represented by Matt Cheung (IL); Holly W. Lambert represented by Scott Shover (IN); Marie Grant represented by Nour Benchaaboun (MD); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Angela L. Nelson represented by William Leung (MO); Eric Dunning represented by Michael Muldoon (NE); Susan Ochs represented by Seong-min Eom (NJ); Ned Gaines represented by Maile Campbell (NV); Kaitlin Asrow represented by William B. Carmello (NY); Judith L. French and Matt Elston (OH); Glen Mulready represented by Kate Yang (OK); TK Keen represented by Joshua Blakey (OR); Michael Humphreys represented by Steve Boston (PA); Carter Lawrence represented by Eric Scott (TN); and Jon Pike represented by Tomasz Serbinowski (UT).

1. Heard a Presentation from the SOA on HMI and FMI

Marianne Purushotham (Society of Actuaries—SOA) walked through a presentation (Attachment A) covering the status of the development of the 2026 mortality improvement (MI) scales for use in *Valuation Manual* (VM)-20, Requirements for Principle-Based Reserves for Life Products. Purushotham reviewed the current historical mortality improvement (HMI) methodology, which uses a 10-year geometric average of insured experience drawn from the mandatory NAIC mortality experience collection and the Social Security Administration (SSA) trustees' report intermediate projections to bridge the gap between the end of the NAIC data and the valuation year. Purushotham then presented a proposed change for the 2026 scale. The 10-year historical insured component (through 2023) would be retained, but the bridge would be developed from the SOA's *Quarterly Mortality Monitoring Report* (QMMR). The SOA is evaluating two options for using the QMMR data: 1) applying general population MI directly as a proxy for insured MI in the gap years; and 2) developing a relationship-based adjustment factor that uses the historical relationship between insured and general population MI to translate QMMR results into an insured-equivalent estimate.

Purushotham stated that the proposed future mortality improvement (FMI) methodology will not change for 2026. Factors under consideration for the FMI assumption include recent opioid-related death trends, obesity and GLP-1 impacts, cancer incidence increases at younger ages, and potential health care policy effects. She noted that Medicaid impacts are expected to affect the general population more than the insured population, while a future pandemic or widespread infectious disease event could affect the insured population materially. Purushotham then outlined the schedule: An initial HMI and FMI recommendation will be presented and exposed during a July Task Force meeting, and the final recommendation and request for approval of the 2026 scale will occur at the Summer National Meeting in August. The goal is publication on the SOA website within one to two weeks of the August meeting. Hemphill asked when the underlying rates would first be released in spreadsheet form. Purushotham confirmed that both the slide-based recommendation and an Excel spreadsheet of preliminary rates will be released together at the July exposure, with the possibility of an updated presentation and spreadsheet at the August meeting if comments warrant revisions.

Reedy reinforced the importance of the accelerated timeline, stating that September publication creates pressure to incorporate the updated tables into models in a controlled manner, and that August adoption would help. Purushotham confirmed that she is targeting publication by the end of August or early September.

Asaf Gal (MetLife) asked about the older ages where the general population MI exceeds insured MI, and credibility is high. Purushotham noted that potential explanations, such as life-settlement market effects, have been considered, but there is no actuarial judgment basis for a large upward adjustment. For the 2025 scale, insured MI was graded to zero at age 85, and a similar approach is anticipated for 2026. Dan Jackson (Athene) asked how the SOA analysis compares with pension-side mortality improvement approaches, such as the retirement plan (RP)-2014 and the SOA's mortality improvement model (MIM) tool. Purushotham stated that the FMI methodology is consistent with the MIM tool approach but uses a shorter long-term horizon because the *Valuation Manual* requires MI to grade to zero by the 20th year of the valuation projection.

Hemphill asked Task Force members if they had any objections to the SOA's proposed methodology for developing the HMI and FMI assumptions. Hearing no objections, Hemphill said that the Task Force supported the SOA's methodology for the development of the HMI and FMI assumptions.

2. Received an Update on AG 55 Reporting Reviews

Andersen walked through a presentation (Attachment B) that provided an update on initial reviews of filings submitted under *Actuarial Guideline LV—Application of the Valuation Manual for Testing the Adequacy of Reserves Related to Certain Life Reinsurance Treaties* (AG 55). Andersen said that AG 55 was adopted in 2025 to evaluate the adequacy of reserves supporting a block of business after a reinsurance transaction has been executed. Andersen noted that the NAIC received filings from approximately 80 U.S. ceding companies covering more than 100 treaties. Andersen then discussed common issues identified across the filings that will be communicated to in-scope companies through the Valuation Analysis (E) Working Group, and that may inform a guidance document for year-end 2026 reviews. Andersen said that approximately half of the companies submitted an attribution analysis. Where one was not provided, the Working Group will request either the template or a narrative explanation of the key drivers of reserve decreases. Andersen said that where affiliated or offshore captive transactions produced no reserve reduction, follow-up will inquire about the motive for the transaction and request confirmation of the reserve held by the reinsurer.

Andersen noted that policyholder behavior affecting liability duration must be appropriately tested where companies use non-traditional or less-liquid investment strategies. He flagged low-interest-rate scenarios with low lapses, up-interest-rate scenarios with higher lapses, multi-year guaranteed annuity renewal-rate sensitivity, and guaranteed lifetime withdrawal benefit election-rate sensitivity on fixed indexed annuities as areas of focus. Director French asked whether Andersen could share observations on the substance of the filings. Andersen responded that filing quality has been varied, but that companies are generally taking AG 55 seriously and providing substantial information. Andersen said that two main drivers of reserve decreases emerged in the attribution analyses received: 1) companies investing in higher-yielding assets relative to the corporate-bond-index discount rate embedded in U.S. statutory standards; and 2) policyholder behavior where observed behavior departs from the prior statutory assumption that 100% of policyholders elect the most valuable option. Andersen said that nearly all filers performed robust cash flow testing that motivated the guideline, and that follow-ups will focus on the less-conservative assumption sets. Andersen said that a draft guidance document will be ready for discussion at the Summer National Meeting, with finalization targeted by the end of September, consistent with prior actuarial guideline guidance documents.

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

Draft: 7/19/26

Life Actuarial (A) Task Force
Virtual Meeting
June 11, 2026

The Life Actuarial (A) Task Force met June 11, 2026. The following Task Force members participated: Amanda Crawford, Chair, represented by Rachel Hemphill (TX); Scott A. White, Vice Chair, represented by Craig Chupp (VA); Heather Carpenter represented by Sharon Comstock (AK); Mark Fowler represented by Sanjeev Chaudhuri (AL); Ricardo Lara represented by Ahmad Kamil and Thomas Reedy (CA); Joshua Hershman represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Ann Gillespie represented by Matt Cheung (IL); Holly W. Lambert represented by Scott Shover (IN); Vicki Schmidt represented by Nicole Boyd (KS); Marie Grant represented by Nour Benchaaboun (MD); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Angela L. Nelson represented by William Leung (MO); Ned Gaines represented by Maile Campbell (NV); Kaitlin Asrow represented by William B. Carmello (NY); Judith L. French represented by Matt Elston (OH); TK Keen represented by Joshua Blakey (OR); Michael Humphreys represented by Steve Boston (PA); Carter Lawrence represented by Eric Scott (TN); and Jon Pike represented by Tomasz Serbinowski (UT).

1. Adopted APF 2025-14

Hemphill introduced amendment proposal form (APF) 2025-14, which clarifies the scope of variable annuity contracts in the payout phase under *Valuation Manual* (VM)-21, Requirements for Principle-Based Reserves for Variable Annuities, and VM-22, Requirements for Principle-Based Reserves for Non-Variable Annuities. She said that one comment letter had been received from the American Council of Life Insurers (ACLI). Hemphill said that the ACLI comment suggested clarifications to the APF 2025-14 cover page but did not propose changes to the language being adopted. The comment also suggested adding tables to clarify the scope. Hemphill said that while clarifying tables was not a bad idea, the Task Force was under a time crunch to adopt items for the 2027 *Valuation Manual*, and re-exposing the APF would risk delaying adoption. She recommended that a separate APF for clarifying tables could be submitted for the 2028 *Valuation Manual*.

Brian Bayerle (ACLI) said that the ACLI appreciated the consideration of the editorial correction on the cover letter. Bayerle said that after submitting the comment, the ACLI identified another APF that could also benefit from a similar table, as well as in VM-20, Requirements for Principle-Based Reserves for Life Products, where a pre-VM-20 policy has a rider that becomes a base policy after VM-20 is operative. Bayerle said that it might make sense to develop one APF that broadly covers all of the pre- and post-operative data cases across all *Valuation Manual* chapters, which would clarify scope across the board. Bayerle said the ACLI was comfortable not including the table now and was happy to take the lead on drafting the broader APF and working with regulators on its development. Hemphill thanked Bayerle and expressed appreciation for any drafting work on tables or other updates that improve clarity in the *Valuation Manual*.

Cheung made a motion, seconded by Reedy, to adopt APF 2025-14 (Attachment A). The motion passed unanimously.

2. Adopted APF 2026-04

Hemphill introduced APF 2026-04, which clarifies that references to the 2017 Commissioners' Standard Ordinary (CSO) Tables in the *Valuation Manual* mean the loaded version of the tables unless specified otherwise. Hemphill noted that while most practitioners would have interpreted the reference as meaning the loaded version, the language could be clearer. Hemphill also said that NAIC committee support identified a correction: The *Valuation*

Manual currently states that the table is included in the proceedings of the NAIC, which is not the case. The reference is updated to point to where the table is available on the Society of Actuaries (SOA) website.

Chupp made a motion, seconded by Benchaaboun, to adopt APF 2026-04 (Attachment B). The motion passed unanimously.

3. Adopted APF 2026-05

Hemphill introduced APF 2026-05, which is an editorial APF prepared by NAIC committee support to correct minor typos, incorrect section references, and other straightforward editorial items in the *Valuation Manual.*

Elston made a motion, seconded by Chupp, to adopt APF 2026-05 (Attachment C). Hemphill attributed the motion to Ohio and the second to Virginia but noted uncertainty about who spoke first. The motion passed unanimously.

4. Adopted APF 2025-18 and APF 2025-20

Hemphill introduced APF 2025-18 and APF 2025-20, noting that APF 2025-18 clarifies the applicability of VM-22 to deposit-type contracts and that APF 2025-20 addresses VM-22 aggregation across reserving categories.

Reedy made a motion, seconded by Slutsker, to adopt APF 2025-18 (Attachment D) and APF 2025-20 (Attachment E). The motion passed unanimously.

5. Adopted the Group Annuity Experience Collection Company Selection Memo

Hemphill said that the group annuity experience collection company selection memo had been prepared by NAIC committee support to describe the process for the inclusion of companies for the group annuity experience collection. After a 21-day exposure, Hemphill said that no written comments had been received.

Slutsker made a motion, seconded by Leung, to adopt the group annuity company selection memo (Attachment F). The motion passed unanimously.

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

Draft: 7/11/26

Life Actuarial (A) Task Force
Virtual Meeting
May 21, 2026

The Life Actuarial (A) Task Force met May 21, 2026. The following Task Force members participated: Amanda Crawford, Chair, represented by Rachel Hemphill (TX); Scott A. White, Vice Chair, represented by Craig Chupp (VA); Heather Carpenter represented by Sharon Comstock (AK); Mark Fowler represented by Sanjeev Chaudhuri (AL); Ricardo Lara represented by Ahmad Kamil and Thomas Reedy (CA); Joshua Hershman represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Ann Gillespie represented by Matt Cheung (IL); Holly W. Lambert represented by Scott Shover (IN); Marie Grant represented by Nour Benchaaboun (MD); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Angela L. Nelson represented by William Leung (MO); Susan Ochs represented by Seong-min Eom (NJ); Ned Gaines represented by Maile Campbell (NV); Kaitlin Asrow represented by William B. Carmello (NY); Judith L. French represented by Peter Weber (OH); Glen Mulready represented by Andy Schallhorn (OK); TK Keen represented by Tashia Sizemore and Joshua Blakey (OR); Michael Humphreys represented by Steve Boston (PA); and Carter Lawrence represented by Eric Scott (TN).

1. Exposed APF 2026-05

Hemphill said the Life Insurance and Annuities (A) Committee had instructed the Task Force to follow the standard *Valuation Manual* amendment proposal form (APF) process for editorial corrections to the *Valuation Manual*, even for straightforward corrections, in case there are unknown implications.

Scott O'Neal (NAIC) walked through the specific corrections made in APF 2026-05 across multiple sections of the *Valuation Manual*. Chupp asked whether it would be possible to not back out the changes already made to the 2026 *Valuation Manual* to avoid confusion for users. Yanacheak said that if the 2026 *Valuation Manual* is changed, it would be important for NAIC committee support to notify states that have already adopted it and that there is no benefit to having multiple versions of the 2026 *Valuation Manual*. Hemphill agreed, noting that Texas must adopt the *Valuation Manual* annually through a formal process. O'Neal said that NAIC committee support are now posting Task Force-adopted APFs to the NAIC website and that this editorial APF could be tracked there without backing out the changes from the 2026 *Valuation Manual*.

Chupp made a motion, seconded by Yanacheak, to expose APF 2026-05 for a 21-day public comment period ending June 10. The motion passed unanimously

2. Exposed APF 2025-18 and APF 2025-20

Hemphill said that APF 2025-18, which clarifies the applicability of VM-22, Requirements for Principle-Based Reserves for Non-Variable Annuities, to deposit-type contracts, and APF 2025-20, which addresses VM-22 aggregation across reserving categories, had both been adopted by the VM-22 (A) Subgroup on May 20. Hemphill said that both APFs needed to be exposed for 21 days at the Task Force level as part of the required approval process.

Slutsker provided background on the two APFs, noting that both are "day two follow-ups" from the initial VM-22 adoption. Regarding APF 2025-18, Slutsker said the APF clarifies that not all deposit-type contracts are required to meet VM-22 requirements and that only annuities meeting the descriptions in Section II of the *Valuation Manual* are in scope. Slutsker said the APF 2025-20 permits aggregation between payout- and accumulation-based annuity reserving categories, allowing immediate and deferred annuities to be aggregated with sufficiencies and deficiencies offsetting each other when calculating the stochastic reserve. Slutsker said APF 2025-20 originally included conditions on when aggregation could be applied, but the VM-22 (A) Subgroup decided to remove the conditions and permit aggregation, while adding VM-31, Principle-Based Reserves (PBR) Actuarial Report Requirements for Business Subject to a Principle-Based Valuation, disclosure requirements for the financial impact of aggregation on a standalone basis. Slutsker said that no significant financial impacts are expected from either APF.

Slutsker made a motion, seconded by Reedy, to expose APF 2025-18 and APF 2025-20 for a 21-day public comment period ending June 10. The motion passed unanimously.

3. Discussed APF 2023-10

Hemphill provided background on APF 2023-10, which proposes revising the VM-20, Requirements for Principle-Based Reserves for Life Products, stochastic reserve discount rate from 105% of the one-year U.S. Treasury rate to the net asset earned rate (NAER) of the additional asset portfolio. Hemphill said the APF was originally proposed before the generator of economic scenarios (GOES) was implemented and was put on hold during GOES development. After the GOES was adopted for 2026, the APF was updated and re-exposed. Hemphill said there have been related discussions around C-3 Phase I and VM-22 discount rates and that concerns have been raised about how starting asset selection heavily affects the NAER. Hemphill noted that while VM-21, Requirements for Principle-Based Reserves for Variable Annuities, applies to all in-force business, VM-20 and VM-22 were adopted prospectively, initially covering a small segment of business.

Slutsker said that a significant issue has emerged across the VM-22 (A) Subgroup's discussions: the allocation of assets from the broader portfolio to PBR calculations, which has been described as "cherry picking assets." Slutsker said that companies can assign the lowest-yielding assets to non-PBR blocks and include the highest-yielding assets in PBR, but that this is not a simple issue to resolve because legitimate risk management practices should be reflected in PBR. Slutsker said there is broad agreement that the discount rate update is in the right direction, but it would lower reserves, and that related changes addressing asset selection guardrails should be implemented together across VM-20, VM-21, and VM-22. Slutsker proposed delaying adoption, targeting the 2028 *Valuation Manual*.

Hemphill said her understanding of the concern was that if APF 2023-10 were adopted without addressing the asset selection issue, reserves would decrease significantly, and then when guardrails were implemented, there would be another correction in the opposite direction. Cheung said he agreed with delaying but wanted to be specific about the rationale: the delay is due to the fact that part of this implementation would likely be reversed in the future as the asset selection issue is addressed. Slutsker agreed with Cheung and said the financial impacts of both changes would be significant. Slutsker said the Task Force should commit to the 2028 *Valuation Manual* as a deadline.

Chou asked for details on the financial impact of implementing the NAER methodology in VM-20. O'Neal said that NAIC model office testing, presented at the Spring National Meeting, showed a 7.7% decrease in the stochastic reserve for a universal life with secondary guarantees (ULSG) product when using the NAER discount rate methodology compared to 105% of the one-year Treasury rate. O'Neal said the conditional tail expectancy (CTE) 98 impact was more pronounced. O'Neal noted that the testing used a deterministic reserve NAER method rather than the additional invested assets approach currently proposed in APF 2023-10. Hemphill confirmed the significant decrease in reserves and noted that the capital impact was also significant. Slutsker emphasized the need for more formal impact analysis and said that whatever vetting standards are applied to the discount rate change should also be applied to the asset selection change.

Brian Bayerle (American Council of Life Insurers—ACLI) said there is no philosophical disagreement that the discount rate update is the right direction. Bayerle suggested that appropriate asset allocation could be addressed as a cover letter question at the Task Force level and that the asset selection discussion would be best handled at the Task Force rather than just the VM-22 (A) Subgroup, Bayerle suggested the Summer National Meeting as a potential milestone for an exposure and said the ACLI wishes to work with the Task Force to adopt this for the 2028 *Valuation Manual*. Hemphill asked Task Force members whether the asset selection discussion should be handled at the Task Force level rather than the VM-22 (A) Subgroup to avoid duplicative workstreams. Slutsker agreed this would make sense. Hemphill said that APF 2023-10 would not be adopted for the 2027 *Valuation Manual* but that work would continue. Hemphill said the asset selection discussion would be coordinated at the Task Force level for both VM-20 and VM-22, with materials targeted for the Summer National Meeting.

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

Draft: 7/8/26

Life Actuarial (A) Task Force
Virtual Meeting
May 14, 2026

The Life Actuarial (A) Task Force met May 14, 2026. The following Task Force members participated: Amanda Crawford, Chair, represented by Rachel Hemphill (TX); Scott A. White, Vice Chair, represented by Craig Chupp (VA); Heather Carpenter represented by Sharon Comstock (AK); Mark Fowler represented by Sanjeev Chaudhuri (AL); Ricardo Lara represented by Ahmad Kamil and Thomas Reedy (CA); Joshua Hershman represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Vicki Schmidt represented by Nicole Boyd (KS); Marie Grant represented by Nour Benchaaboun (MD); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Angela L. Nelson represented by William Leung (MO); Eric Dunning represented by Michael Muldoon (NE); Ned Gaines represented by Maile Campbell (NV); Susan Ochs represented by Seong-min Eom and David Wolf (NJ); Kaitlin Asrow represented by William B. Carmello (NY); Judith L. French represented by Peter Weber (OH); Glen Mulready represented by Andy Schallhorn (OK); TK Keen represented by Tashia Sizemore and Joshua Blakey (OR); Michael Humphreys represented by Steve Boston (PA); and Carter Lawrence represented by Eric Scott (TN).

1. Discussed APF 2026-01

Hemphill introduced amendment proposal form (APF) 2026-01, which revises the *Valuation Manual* (VM)-22, Requirements for Principle-Based Reserves for Non-Variable Annuities, reinvestment guardrail for pension risk transfer (PRT) business. She noted that a formal comment period had been held during which the Task Force exposed both a draft of APF 2026-01 and a principles document from the American Academy of Actuaries (Academy) on the application of an illiquidity premium. Hemphill said that a comment letter was received from the American Council of Life Insurers (ACLI).

Brian Bayerle (ACLI) spoke to the ACLI's comment letter, noting that the ACLI is supportive of many of the concepts raised in both APF 2026-01 and the Academy principles document. Bayerle said the Academy's principles on the illiquidity premium were strong and that it makes sense to consider introducing an illiquidity premium when it aligns with the types of liabilities that less liquid assets support. Bayerle said that while an illiquidity premium may make sense for PRT, other products with similar characteristics may also warrant an illiquidity premium. Bayerle raised the questions of whether: 1) the illiquidity premium cap should be fixed or dynamic depending on economic conditions; and 2) a larger illiquidity premium should be considered depending on liability characteristics. On the reinvestment guardrail credit quality difference introduced by the APF, Bayerle said the ACLI has conceptual openness but suggested that the guardrail should be based on liability characteristics rather than product type.

Hemphill then walked through the redline draft of APF 2026-01 included in the meeting materials. She noted that while APF 2026-01 was submitted by New Jersey, the redline draft represents multiple options: Some align with the New Jersey proposal, and others reflect suggestions from other state insurance regulators and interested parties. She noted that New Jersey had streamlined the reference to BBB-rated securities, increasing the reinvestment guardrail from 50 basis points (bps) to 80 bps.

Hemphill outlined the framework for a straw poll to gauge Task Force members' preferences on two dimensions. On scope, Option A would limit the changes to PRT only, while Option B would extend the changes to payout annuities without liability optionality. On the extent of changes, Option 1 would apply the additional illiquidity premium to the starting asset and reinvestment guardrails only, while Option 2 would apply the illiquidity premium to all assets, including both guardrail runs and company runs. She noted that Task Force members could also choose “none” on either dimension. Hemphill said the straw poll would also provide an opportunity for Task Force members to comment on timing: whether something could be ready for the 2027 *Valuation Manual*, which would need to be wrapped up within approximately one month, or whether this was a longer project aimed at the 2028 *Valuation Manual*.

Hemphill provided a preface to the straw poll regarding the Task Force’s mandate. She said that during prior discussions, questions had been raised about whether the proposed changes should be viewed as a reinsurance policy change or an actuarial change, and some had cited policy reasons related to asset-intensive reinsurance and keeping PRT reserves onshore. Hemphill said that Task Force leadership had discussed this with leadership from the Life Insurance and Annuities (A) Committee and had received clear instruction that the Task Force should not be making reinsurance policy changes. Hemphill said that the Task Force should stay within its charge of maintaining *Valuation Manual* requirements at an appropriate, moderately adverse level and ensuring consistency across *Valuation Manual* chapters and products where appropriate. She added that if a proposal brought to the Task Force based on policy motivations pointed out something missing from the current principle-based reserving (PBR) framework, then there was room to take action, and any action taken should support consistent PBR reserves targeting a moderately adverse reserve level.

The straw poll was then conducted. Chupp said Virginia would vote for “none” on both dimensions but would be open to going beyond "none" if principles were introduced. Chaudhuri said Alabama preferred Option B and Option 2 and would be willing to push to 2028 if needed. Comstock said Alaska preferred Option A with no preference on the other options. Reedy said California was technically “none” per the options presented but was supportive of Option B and Option 1 on a longer timeline. Chou said Connecticut preferred Option B and Option 2. Hemphill reported that Matt Cheung from Illinois had emailed a preference for Option B and Option 1. Yanacheak said Iowa would go with Option B and Option 1. Boyd said Kansas preferred Option B and Option 1. Benchaaboun said Maryland would be none for both options.

Andersen said Minnesota favored Option A and Option 2. He said VM-22 was just adopted with a reinvestment guardrail that ended up in an actuarially appropriate place. Leung said Missouri preferred Option B on scope. However, on extent, Leung said he did not think the illiquidity premium should be applied on a product basis. Muldoon said Nebraska preferred Option B and Option 2 and was fine with going into 2028 if needed. Campbell said Nevada was “none” and “none” for a near-term vote but would be open to Option B and Option 2 for 2028.

Eom said New Jersey was now open to expanding the scope to all similar products (i.e., payout annuities without optionality). Eom said New Jersey supported Option 2. Carmello said New York was “none” and “none.” Weber said Ohio preferred Option A and Option 2, focusing on expediency and trying to get something done sooner rather than later for a single product line initially. Schallhorn said Oklahoma preferred Option B and Option 2 and that 2028 was fine. Boston said Pennsylvania would like to consider the ideas expressed by Virginia and California and would be open to Option B and either Option 1 or Option 2 under a longer-term project. Scott said Tennessee would abstain.

Hemphill summarized the straw poll results, noting that the results were diverse. She said the strongest theme she observed was a preference not to try to work the APF out over the next month but instead to coordinate with the Academy study on spreads and defaults. She noted a preference for Option B over Option A and said Option 1 and Option 2 were fairly split. She said she also saw a preference for working toward a 2028 deadline. Based on the straw poll results, Hemphill said she did not think it made sense for the Task Force to expose any option at this time. She proposed putting APF 2026-01 on hold pending the Academy study and following up with the Academy to get a better sense of the study timeline.

Eom agreed that this path forward would work and reiterated her hope that the Academy could complete the study so the Task Force could revisit the APF in time for the next *Valuation Manual* development cycle. Eom added that based on the Academy study, the APF could be revised and may not be exposed as is. Hemphill said the Task Force would follow up with the Academy after the meeting and would note that Option B appeared to be the larger preference, with both Option 1 and Option 2 having a decent amount of support. She expressed hope that the Academy study could bring the different views closer together.

Hemphill thanked Task Force members for participating in the straw poll and discussion and thanked New Jersey for the APF. She said the APF would be put on hold for now, and the Task Force would discuss it further after hearing from the Academy on spreads and defaults, coordinating the reconsideration with that study.

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

Draft: 7/6/26

Life Actuarial (A) Task Force
Virtual Meeting
May 7, 2026

The Life Actuarial (A) Task Force met May 7, 2026. The following Task Force members participated: Amanda Crawford, Chair, represented by Rachel Hemphill (TX); Scott A. White, Vice Chair, represented by Craig Chupp (VA); Mark Fowler represented by Sanjeev Chaudhuri (AL); Heather Carpenter represented by Sharon Comstock (AK); Ricardo Lara represented by Ahmad Kamil and Thomas Reedy (CA); Joshua Hershman represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Ann Gillespie represented by Matt Cheung (IL); Holly W. Lambert represented by Scott Shover (IN); Vicki Schmidt represented by Nicole Boyd (KS); Marie Grant represented by Nour Benchaaboun (MD); Grace Arnold represented by Fred Andersen (MN); Angela L. Nelson represented by William Leung (MO); Susan Ochs represented by Seong-min Eom (NJ); Ned Gaines represented by Maile Campbell (NV); Kaitlin Asrow represented by William B. Carmello (NY); Judith L. French represented by Matt Elston (OH); Glen Mulready represented by Andy Schallhorn (OK); TK Keen represented by Tashia Sizemore (OR); Michael Humphreys represented by Steve Boston (PA); Carter Lawrence represented by Eric Scott (TN); and Jon Pike represented by Tomasz Serbinowski (UT).

1. Exposed APF 2025-14

Cheung walked through amendment proposal form (APF) 2025-14, which clarifies that variable annuities in the payout phase may be reserved for under *Valuation Manual* (VM)-21, Requirements for Principle-Based Reserves for Variable Annuities, with domiciliary commissioner notification or VM-22, Requirements for Principle-Based Reserves for Non-Variable Annuities.

Cheung made a motion, seconded by Reedy, to expose APF 2025-14 for a 21-day public comment period ending May 27. The motion passed unanimously.

2. Exposed the Group Annuity Experience Collection Company Selection Memo

Eom recapped APF 2024-12, which mandates a group annuity experience data collection to be used to develop more sound group annuity mortality tables that reflect the diverse mortality experience across the group annuity population. She noted that most group annuity products are from pension risk transfer (PRT) and that the underlying population experience varies by industry, collar type, and other demographic factors. Eom added that longevity reinsurance products are primarily based on non-U.S. pension plans and that this line of business is an emerging and expanding area with limited information. Eom said that the data call would provide the foundation for developing mortality assumptions that appropriately account for all of these dimensions.

Eom said that the NAIC, under VM-50, Experience Reporting Requirements, will serve as the experience reporting agent for group annuity mortality beginning Jan. 1, 2027, and has identified 36 companies across 15 domicile states to submit data. She noted three key points: 1) the collection covers all issue years of a company's group annuity business and is not limited to business subject to VM-22; 2) once selected, a company is expected to continue reporting in future years unless circumstances justify an exemption; and 3) the list is not final, as exemptions may result in additional companies being added, with any modifications finalized before the end of September 2026. Eom noted the minimum target coverage is approximately 90% of statutory reserves for in-scope business.

Angela McNabb (NAIC) walked through the company selection process. She noted that the selection process used 2024 annual statement data, as 2025 data was not available at the time, to identify companies for a survey developed by the drafting group. The data collected included statutory reserves, certificates in force, single premium, and income payable for both the general account and separate account. For companies that were part of an affiliated group, data was rolled up to the group level. Surveys were sent to groups ranking in the top 30 for at least two of the four metrics, and approximately 80 companies were surveyed, with responses received from all. Groups completed separate surveys for each legal entity.

McNabb said that once responses were received, the NAIC aggregated and analyzed them to determine which companies had in-scope business. She said that follow-up questions were sent to companies with write-ins in the "other" category to determine whether those products were in scope. Companies were ranked by in-scope statutory reserve at the company level. McNabb noted that VM-51, Experience Reporting Formats, automatically exempts companies with less than $250 million of in-scope reserves. After applying that threshold, the NAIC observed a significant break at the $500 million level, below which reserves dropped off considerably, and determined that $500 million of in-scope reserves was an appropriate selection criterion.

McNabb identified limitations in the selection process: 1) the annual statement does not contain information at a granular enough level to identify out-of-scope products, and for non-surveyed companies, in-scope proportions cannot be determined; 2) VM-51 allows companies to request an exemption, subject to NAIC agreement and domestic state insurance regulator approval, and the number of requests is unknown; and 3) VM-50 allows the experience reporting agency to use its discretion regarding data omission, and rules-based validations may reject individual records or that company's data entirely.

McNabb said data covering observation year 2026 will be collected during the second quarter of 2027, with initial submissions due Sept. 30, 2027, and corrections due Feb. 28, 2028. She said the NAIC is planning webinars to provide training on the data collection, requirements, and process. She noted that the NAIC will publish a data dictionary providing additional guidance for each data element, which she described as a living document that can be updated without a *Valuation Manual* amendment. McNabb said that additional materials outlining the rules-based validations will also be published, and companies will be notified as they become available. She also noted that because PRT is a fast-growing market, the NAIC will monitor for new entrants and may ask additional companies to join the data call in future years.

Hemphill made a chair exposure of the group annuity experience collection company selection memorandum for a 21-day public comment period ending May 27.

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

Draft: 6/13/26

Life Actuarial (A) Task Force
Virtual Meeting
April 30, 2026

The Life Actuarial (A) Task Force met April 30, 2026. The following Task Force members participated: Amanda Crawford, Chair, represented by Rachel Hemphill (TX); Scott A. White, Vice Chair, represented by Craig Chupp (VA); Heather Carpenter represented by Sharon Comstock (AK); Ricardo Lara represented by Ahmad Kamil and Thomas Reedy (CA); Joshua Hershman represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Ann Gillespie represented by Matt Cheung (IL); Holly W. Lambert represented by Scott Shover (IN); Vicki Schmidt represented by Nicole Boyd (KS); Marie Grant represented by Nour Benchaaboun (MD); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Angela L. Nelson represented by William Leung (MO); Eric Dunning represented by Michael Muldoon (NE); Susan Ochs represented by Seong-min Eom and David Wolf (NJ); Ned Gaines represented by Maile Campbell (NV); Kaitlin Asrow represented by Dwight Hazzard (NY); Judith L. French represented by Peter Weber (OH); TK Keen represented by Joshua Blakey (OR); Michael Humphreys represented by Steve Boston (PA); Carter Lawrence represented by Eric Scott (TN); and Jon Pike represented by Tomasz Serbinowski (UT).

1. Adopted APF 2026-03

Hemphill said that amendment proposal form (APF) 2026-03 is a technical clarification to the standard projection amount (SPA) assumption for surrenders in *Valuation Manual* (VM)-22, Requirements for Principle-Based Reserves for Non-Variable Annuities.

Leung made a motion, seconded by Slutsker, to adopt APF 2026-03 (Attachment A). The motion passed unanimously.

2. Adopted APF 2026-02

Hemphill introduced APF 2026-02, which revises VM-21, Requirements for Principle-Based Reserves for Variable Annuities, and VM-22 to reflect that interest maintenance reserves (IMRs) are attributable to groups of policies or contracts rather than to groups of assets. Hemphill said the IMR would be more appropriately attributed to contracts, as companies allocate IMR to model segments, and IMR is not tagged to specific assets. She emphasized that this was not new guidance but rather leveraged existing detailed guidance from VM-20, Requirements for Principle-Based Reserves for Life Products.

Boston noted a formatting issue with the lettering under VM-22 Section 4.A.7. Hemphill confirmed that this was a drafting error and asked Scott O'Neal (NAIC) whether this clerical correction could be included in the motion to adopt. O'Neal confirmed that the correction could be included in the motion for adoption.

Slutsker made a motion, seconded by Chupp, to adopt APF 2026-02 (Attachment B) with the clerical correction. The motion passed unanimously.

3. Disbanded the Variable Annuities Capital and Reserve (E/A) Subgroup

Hemphill discussed the disbanding of the Variable Annuities Capital and Reserve (E/A) Subgroup, noting that the Subgroup had completed significant work on variable annuity (VA) reform and the first update to the VM-21 SPA.

She noted that, unlike VM-22, which still has material items to address, VM-21 is in a position similar to VM-20, where ongoing work falls under the broad charges of the Task Force and the Life Risk-Based Capital (E) Working Group. Hemphill stated that a motion to disband requires a discussion of whether the Subgroup's charges had been met. Hemphill expressed gratitude to Weber and Cheung for their work on the Subgroup and acknowledged the contributions of all Subgroup members and interested parties.

Hemphill mentioned that APF 2025-14 was currently under consideration by the Subgroup for re-exposure after receiving a comment from the American Council of Life Insurers (ACLI). If the Subgroup were disbanded before another meeting, Hemphill said the re-exposure would occur at the Task Force level.

Cheung made a motion, seconded by Leung, to disband the Variable Annuities Capital and Reserve (E/A) Subgroup and state that the Subgroup’s charges were achieved. The motion passed unanimously.

4. Discussed a Request to the Academy's Life Reserves Work Group to Review VM Default and Spread Methodology

Hemphill provided background on the default and spread methodologies in the *Valuation Manual*. She stated that the defaults were designed at a moderately adverse level and the spreads at roughly a best estimate level, which together produce a moderately adverse result. She noted that both methodologies were developed by the American Academy of Actuaries' (Academy’s) Life Reserves Work Group (LRWG) in approximately 2009. She emphasized that the Task Force has a charge to monitor these components and that it is appropriate to request a review given the time period since the methodology was introduced. She stated there was no foregone conclusion about the outcome, and the Academy may affirm the current methodology or suggest changes.

Reedy and Cheung also voiced approval to review the methodology, given the timeframe, and noted industry comments received over the years regarding issues with the current framework. Campbell asked whether there is a list of current Academy activities for the Task Force to help gauge the added workload. Hemphill said she expected the Academy's response to address capacity and timeline, noting it is better to ask at 17 years than wait longer.

Connie Tang (Retired) supported the review, suggesting the Academy's Life Practice Council (LPC) could coordinate across groups—including C-1 and the Economic Scenario Subcommittees—for consistency. Hemphill agreed that coordination would likely make sense and stated the Task Force would discuss the matter officially with the Academy.

Hemphill noted that multiple Task Force members spoke in support of the request, and none opposed. She stated the Task Force would proceed with a formal request to the Academy and report back at a future meeting.

5. Exposed APF 2026-04

Hemphill introduced APF 2026-04 that clarifies that references to the 2017 Commissioners Standard Ordinary (CSO) mortality tables mean the loaded version unless the unloaded version is specifically referenced. She noted that the Society of Actuaries (SOA) develops both versions.

Chupp made a motion, seconded by Benchaaboun, to expose APF 2026-04 for a 21-day public comment period ending May 25. The motion passed unanimously.

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

Draft: 6/4/26

Life Actuarial (A) Task Force
Virtual Meeting
April 16, 2026

The Life Actuarial (A) Task Force met April 16, 2026. The following Task Force members participated: Amanda Crawford, Chair, represented by Rachel Hemphill (TX); Scott A. White, Vice Chair, represented by Craig Chupp (VA); Heather Carpenter represented by Sharon Comstock (AK); Mark Fowler represented by Sanjeev Chaudhuri (AL); Ricardo Lara represented by Ahmad Kamil and Elaine Lam (CA); Joshua Hershman represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Ann Gillespie represented by Matt Cheung (IL); Holly W. Lambert represented by Scott Shover (IN); Vicki Schmidt represented by Nicole Boyd (KS); Marie Grant represented by Nour Benchaaboun (MD); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Angela L. Nelson represented by William Leung (MO); Susan Ochs represented by Seong-min Eom and David Wolf (NJ); Ned Gaines represented by Maile Campbell (NV); Kaitlin Asrow represented by Dwight Hazzard (NY); Judith L. French represented by Peter Weber (OH); TK Keen represented by Joshua Blakey (OR); Michael Humphreys represented by Steve Boston (PA); Carter Lawrence represented by Eric Scott (TN); and Jon Pike represented by Tomasz Serbinowski (UT).

1. Adopted its Spring National Meeting Minutes

Yanacheak made a motion, seconded by Benchaaboun, to adopt the Task Force's Spring National Meeting minutes (*see NAIC Proceedings – Spring 2026, Life Actuarial (A) Task Force*). The motion passed unanimously.

2. Re-Exposed APF 2026-03

Hemphill introduced amendment proposal form (APF) 2026-03, which clarifies the calculation of the *Valuation Manual* (VM)-22, Requirements for Principle-Based Reserves for Non-Variable Annuities. Brian Bayerle (American Council of Life Insurers—ACLI) spoke to the ACLI's comment letter that recommended a change to the calculation for clarity. Lam supported the change recommended by the ACLI.

Lam made a motion, seconded by Yanacheak, to re-expose APF 2026-03 with the ACLI's recommended edits for a seven-day public comment period ending April 22. The motion passed unanimously.

3. Discussed the SOA's VBT Decision Points

Hemphill said that the Task Force had heard a presentation from the Society of Actuaries (SOA) during the Spring National Meeting that requested feedback on its project to develop a new Valuation Basic Table (VBT) for use in the mortality assumption for VM-20, Requirements for Principle-Based Reserves for Life Insurance. Bayerle spoke to the ACLI's comment letter (Attachment A).

Mary Bahna-Nolan (SOA) provided clarification on the experience data used in the SOA's mortality study, including: 1) term conversions were not included; 2) term products in the post-level term period were not included; 3) experience from more recent issue years with accelerated underwriting was included, but there were challenges with identifying accelerated underwriting in the data; and 4) the juvenile experience was credible and distinct from the other experience. Bahna-Nolan also noted that the SOA's proposed timeline was aggressive but possible.

Hemphill asked the ACLI if it was comfortable with granular tables being produced if an aggregate table was produced. Bayerle confirmed the ACLI's desire for an aggregate table to be produced with distinct tables. Hemphill then asked if creating an aggregate table would cause the timeline to shift. Bahna-Nolan noted that there would be challenges creating something reasonable for an aggregate table given the distinct experience in the data, but she did not know how it would impact the timeline now.

Hazzard supported the SOA in developing an aggregate table in addition to the more granular tables. Leung asked what valuation concerns could arise from a delay in the adoption of new VBTs if the aggregate table creation caused a delay. Bahna-Nolan said it was hard to say that material misstatements are resulting from the continued use of the existing VBT tables, but that it was unlikely given the relatively heavy use by companies of their own experience. Leung said, given that, he supports the creation of an aggregate table. No Task Force members noted concerns with the creation of an aggregate table after Hemphill asked the group. Bahna-Nolan said that she had the direction needed from the Task Force to move forward on the VBT project.

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

Draft: 6/4/26

Life Actuarial (A) Task Force
Virtual Meeting
April 9, 2026

The Life Actuarial (A) Task Force met April 9, 2026. The following Task Force members participated: Amanda Crawford, Chair, represented by Rachel Hemphill (TX); Scott A. White, Vice Chair, represented by Craig Chupp (VA); Heather Carpenter represented by Sharon Comstock (AK); Ricardo Lara represented by Ahmad Kamil (CA); Joshua Hershman represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Ann Gillespie represented by Matt Cheung (IL); Holly W. Lambert represented by Scott Shover (IN); Vicki Schmidt represented by Nicole Boyd (KS); Marie Grant represented by Nour Benchaaboun (MD); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Angela L. Nelson represented by William Leung (MO); Susan Ochs represented by Seong-min Eom and David Wolf (NJ); Ned Gaines represented by Maile Campbell (NV); Kaitlin Asrow represented by William B. Carmello (NY); Judith L. French represented by Peter Weber (OH); Glen Mulready represented by Andy Schallhorn (OK); TK Keen represented by Joshua Blakey (OR); Michael Humphreys represented by Steve Boston (PA); Carter Lawrence represented by Eric Scott (TN); and Jon Pike represented by Tomasz Serbinowski (UT).

1. Adopted APF 2024-12

Angela McNabb (NAIC) introduced the Genworth comment letter that suggested adding an exclusion for all fixed annuity contracts that fall outside the scope of *Valuation Manual* (VM)-22, Requirements for Principle-Based Reserves for Non-Variable Annuities. She noted that the amendment proposal form's (APF's) scope is intended to define product types rather than establish a connection between the group annuity data collection and contracts subject to VM-22. For instance, VM-22 includes products, such as individual annuities and deferred group annuities, that are not included in the data collection. McNabb further explained that the existing list in the APF already aligns with the out-of-scope products identified in the VM, Section 2. Reserve Requirements, Subsection 2.C.

Receiving no feedback on the Genworth and NAIC comments, Andersen made a motion, seconded by Eom, to adopt APF 2024-12 (Attachment A). The motion passed unanimously.

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

August 10, 2026

From: Tomasz Serbinowski, Vice-Chair
The Longevity Risk (E/A) Subgroup

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

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

The Longevity Risk (E/A) Subgroup met July 28th, June 9th, and April 9th and took the following actions: 1) adopted prior meeting minutes; 2) adopted structural and instructions changes to LR025-A of the 2026 Life Risk-Base Capital Blanks for longevity reinsurance; and 3) heard an American Academy of Actuaries presentation on its proposed 2026 work plan to develop longevity reinsurance C-2 capital factors intended for 2027 life risk-based capital.

Draft: 8/4/26

Longevity Risk (E/A) Subgroup
Virtual Meeting
July 28, 2026

The Longevity Risk (E/A) Subgroup of the Life Risk-Based Capital (E) Working Group and Life Actuarial (A) Task Force met July 28, 2026. The following Subgroup members participated: Rachel Hemphill, Acting Chair (TX); Tomasz Serbinowski, Vice Chair (UT); Lei Rao-Knight (CT); Mike Yanacheak (IA); Ben Slutsker (MN); William B. Carmello (NY); and Matt Elston (OH).

1. Adopted its June 9 Minutes

The Subgroup met June 9. During this meeting, it took the following action: 1) adopted its April 9 minutes; and 2) discussed the American Academy of Actuaries' (Academy's) proposed 2026 work plan for longevity reinsurance.

Slutsker made a motion, seconded by Yanacheak, to adopt the Subgroup's April 9 minutes (Attachment A). The motion passed unanimously.

2. Heard a Presentation from the Academy on Longevity Reinsurance Illustrations for the Development of RBC C-2 Factors

Adam Levine (Academy) provided an update on the Academy's work related to how risk-based capital (RBC) C-2 should apply to longevity reinsurance (Attachment B). Levine said the presentation shows how cash flows and reserves respond under several illustrative shock scenarios for a representative transaction. He stated that the illustrations were an exaggeration of the Academy proposal shocks and are not intended to determine the exact shock size.

Levine described the key cash flows in longevity reinsurance. The floating leg is the stream of benefits paid by the assuming company, or reinsurer, tied to actual survival experience of the covered annuitants. The fixed leg consists of predetermined premiums and fees established at inception and paid to the reinsurer, which does not vary with actual mortality experience. The net cash flow is the fixed leg minus the floating leg.

Levine said longevity risk is the primary risk in longevity reinsurance, while investment, market, inflation, and counterparty risks are smaller than the longevity risk being transferred. The Academy used representative samples of younger and older population subsets, as well as gender splits. Simplified assumptions were used for illustrative transactions because company longevity reinsurance transactions are private and confidential.

Levine said the Academy calculated net cash flows and the present value of net cash flows on a best-estimate and prudent-estimate basis. The Academy ran three shock scenarios: mortality improvement, base mortality misestimation, and a pandemic event. The mortality improvement and base mortality misestimation are included in the most recent Academy proposal and address people living longer under different patterns. The pandemic event was included as a favorable event for reinsurers to illustrate a real-world example of how COVID-19 could have affected C-2. The illustrations included the *Valuation Manual* (VM)-22, Requirements for Principle-Based Reserves for Non-Variable Annuities, reserve floor, 2% of the next 12 months of benefits. The Academy proposal recognizes pre-shock conservatism reflected in the VM-22 floor above the prudent estimate reserve, even when the unfloored prudent estimate is negative.

Levine identified key takeaways from the illustrations. The first is that the shocks affected the younger and older populations differently. Mortality improvement shocks are more impactful for younger populations because improvement accumulates over time, while base mortality misestimation is more impactful for older populations. The Academy proposal uses two separate shocks. Separate shocks illustrate how younger and older population subsets are affected differently.

A second takeaway is that insurance companies with material business before COVID-19 could have zero C-2 because fixed-leg payments would continue while floating-leg payments could be lower after pandemic-related mortality. Levine said this could apply to in-force business priced before COVID-19, but the result could differ for new business.

Slutsker asked whether the Academy considered how to fit the mortality improvement and base mortality variables into a single shock run, such as by using a cumulative impact to do the calibration at the right percentile. Levine said the Academy had discussed the issue but kept the shocks separate to capture the different impacts on younger and older populations. Levine said the Academy could test a combined approach, but it currently views separate shocks as necessary to capture those different impacts.

Hemphill noted that a combined approach might need to vary by age. One approach could use a mortality improvement shock for younger ages and a base mortality shock for older ages. Another approach is to have a base shock on everything and then cap the cumulative impact of the two shocks to ensure the shock is not too extreme.

Serbinowski asked whether state insurance regulators would benefit from seeing the impact of each shock separately to understand whether a treaty is more vulnerable to mortality improvement or mortality misestimation. Hemphill said it is unclear that separate stresses will address getting to the appropriate level since the independence assumption assumes there is going to be adverse deviation in only one stress at a time. Yanacheak said multiple runs would not be an issue if the runtime is quick. Slutsker said from a regulator perspective, it may be more auditable and easier to visualize a combined stress approach.

Yanacheak asked whether the charts reflected two separate populations and whether a blended population would mute the results shown in the illustrations. Levine said the illustrative populations were separate and had similar liability size. Linda Lankowski (Academy) said a large, diversified portfolio may differ from a single pension risk transfer (PRT) contract composed primarily of younger (or older) certificate holders.

Slutsker asked how the VM-22 reserve floor would be applied when multiple runs are used. He said he is concerned about double-counting the floor. Levine said the floor is 2% of the next 12 months of benefits and that, in practice, the calculation occurs at time zero based on the prudent estimate at that time.

Levine outlined the Academy's next steps: 1) refine the mortality improvement and base shock structure and size; 2) calibrate shocks for non-U.S. liabilities; and 3) and consider whether to use one scenario instead of two.

3. Discussed Other Matters

Hemphill said the Subgroup hoped to have a permanent chair soon, given its leadership transition.

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

Draft: 7/23/26

Longevity Risk (E/A) Subgroup
Virtual Meeting
June 9, 2026

The Longevity Risk (E/A) Subgroup of the Life Risk-Based Capital (E) Working Group and Life Actuarial (A) Task Force met June 9, 2026. The following Subgroup members participated: Seong-min Eom, Chair (NJ); Tomasz Serbinowski, Vice Chair (UT); Mike Yanacheak (IA); Ben Slutsker (MN); William B. Carmello (NY); Matt Elston and Adam Farris (OH); and Rachel Hemphill (TX).

1. Adopted its April 9 Minutes

The Subgroup met April 9. During this meeting, it took the following action: 1) adopted its Feb. 9 minutes; 2) discussed a proposal from the American Academy of Actuaries (Academy); 3) discussed comments received on C-2 longevity risk for longevity reinsurance; and 4) adopted proposed changes to LR025-A for longevity reinsurance for 2026.

Slutsker made a motion, seconded by Hemphill, to adopt the Subgroup's April 9 minutes (Attachment A). The motion passed unanimously.

2. Heard a Presentation on the Academy's Proposed 2026 Work Plan for Longevity Reinsurance

Eom said that during its April 9 meeting, the Subgroup adopted structural and instructional changes to LR025-A that were subsequently adopted by the Life Risk-Based Capital (E) Working Group on April 23. These changes established a blanks structure for the C-2 longevity risk capital charge for longevity reinsurance and instructed companies to enter zero for the 2026 longevity reinsurance longevity risk capital requirement. The Subgroup asked the Academy to develop additional analysis supporting a methodology that produces a longevity reinsurance capital amount that appropriately reflects the risk of the product line. Eom recalled key discussion items from April 9 requiring further development: whether a single combined stress on both the mortality level and mortality improvement trend can replace three separate scenarios; whether the Academy should specify a mortality improvement trend level rather than a fixed differential to the baseline; how the reserve interacts with the total asset requirement (TAR) calculation; and whether the same stress can be appropriately applied to mortality or mortality improvement in different countries.

Carmello confirmed with Eom that the C-2 factor development is intended for application in 2027 risk-based capital (RBC), with development occurring during 2026.

Linda Lankowski (Academy) presented the Academy's proposed approach. The Academy work group determined that developing an illustrative model would be the most effective way to demonstrate longevity reinsurance product mechanics and the implications of proposed structural changes to the Subgroup. The Academy is building a simple spreadsheet model for internal use. The Academy does not intend to publish the model, consistent with the Academy's position that it is not in the software business.

Lankowski identified the following concerns with public release: the need for extensive caveats, cell protection, and other safeguards, as well as the loss of Academy control over how the model is used. The Academy reviewed whether existing stochastic mortality models could be leveraged and did not identify a practical option; the literature discusses the concept but does not provide a workable starting point. The Academy views a simple model as preferable because every real transaction differs in composition, and additional complexity would not improve regulator decision-making. The model allows the user to vary age ranges and starting mortality assumptions to illustrate cash flows for a hypothetical block of longevity reinsurance. Once cash flows are established, the model produces statutory reserves and capital measures under discussion by the Subgroup. The Academy requested Subgroup feedback on scenario priorities, presentation format, and whether the Subgroup prefers a single shock or separate mortality level and mortality improvement shocks.

Slutsker asked whether the Academy considered leveraging prior longevity reinsurance models, particularly an Excel model developed in connection with the Valuation Manual (VM)-22 (A) Subgroup's work, which he noted was exposed in October 2024, as a starting point to shorten the development timeline. Lankowski indicated the Academy would compare any regulator-supplied model to the work in progress. Eom stated that in prior VM-22 work, the model was not exposed publicly; only sample illustrations, output graphs, reserve distributions, and sensitivity results were shared. Hemphill agreed with that recollection and asked Slutsker to share the source of any prior model with the other regulators and to identify whether it had been distributed as public or regulator-only material. Slutsker asked whether NAIC committee support had access to prior Subgroup exposures. Scott O'Neal (NAIC) confirmed that 2024 exposures are accessible. Slutsker committed to forwarding the identified prior model to Lankowski for the Academy's review.

The Subgroup discussed regulator access to the Academy's spreadsheet model. Serbinowski asked whether the Academy could distribute the model to regulators, questioning the perceived risk. Lankowski said the Academy would discuss the request internally and referenced the Academy's separate work on the generator of economic scenarios (GOES). Hemphill said a tool used for regulator understanding during analysis of the proposed approach is much different from software distributed for broader purposes. Serbinowski stated that without access to the model, results would function as a black box. He said visibility would allow regulators to understand the drivers of counterintuitive results and to build intuition through direct interaction with assumptions. Serbinowski emphasized that the Academy's model is intended solely to illustrate product dynamics for the Subgroup's methodology deliberations and is not intended to be used to compute RBC directly. Slutsker noted that the Academy's position on the GOES project ultimately shifted and encouraged an internal Academy discussion.

Slutsker asked whether, separate from shock illustrations, the Academy could review academic papers proposing mortality distributions or percentile suggestions for mortality levels or mortality improvement. Lankowski referenced a recent Society of Actuaries (SOA) webcast on post-COVID mortality by socioeconomic decile and stated the Academy is discussing baseline mortality assumptions and how to model projected future mortality so cash flow effects can be demonstrated even when the mortality assumption is unchanged. Lankowski observed that current product pricing margins may be thinner than those in the earliest U.S. longevity products and that the Academy intends to consider both thin-margin and larger-margin products. Serbinowski characterized distribution work as principally a calibration question, relevant once a stress structure is chosen, rather than a question about model dynamics. Lankowski added that VM-22 requires mortality assumptions to be based on credible data and that credibility varies by company, reinforcing the value of a simple illustrative model.

Eom summarized the path forward. For phase one as a first step, the Academy will demonstrate the model at the next meeting and illustrate longevity reinsurance cash flows. The Academy will also separately consider how and under what conditions the model could be shared with regulators. The next meeting is targeted for the week of July 6 or July 13. Lankowski confirmed the Academy will prepare representative cash flows and descriptions, will bring the model to the next meeting for a live walk-through, and is open to further feedback by phone or email. Eom encouraged the Academy to expand its phase two plan with additional detail or subtopics based on the day's feedback. Eom noted that Serbinowski is a member of the Academy work group and is available for regulator questions between meetings.

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

Draft: 4/17/26

Longevity Risk (E/A) Subgroup
Virtual Meeting
April 9, 2026

The Longevity Risk (E/A) Subgroup of the Life Risk-Based Capital (E) Working Group and Life Actuarial (A) Task Force met April 9, 2026. The following Subgroup members participated: Seong-min Eom, Chair (NJ); Tomasz Serbinowski, Vice Chair (UT); Lei Rao-Knight (CT); William B. Carmello (NY); Peter Weber (OH); and Rachel Hemphill (TX).

1. Adopted its Feb. 9, 2026, Minutes

The Subgroup met Feb. 9, 2026, and took the following action: 1) adopted its Nov. 19, 2025, and Oct. 9, 2025, minutes; and 2) discussed proposed changes to LR025-A for longevity reinsurance.

Weber made a motion, seconded by Serbinowski, to adopt the Subgroup's Feb. 9, 2026, minutes (*see NAIC Proceedings – Spring 2026, Life Actuarial (A) Task Force, Attachment Seven*). The motion passed unanimously.

2. Discussed the Academy's Longevity Risk Transfer Proposal

Alex Levine (American Academy of Actuaries—Academy) briefly walked through the Academy's proposal for a longevity risk transfer C2 risk-based capital charge. He said the proposal is more of a principle-based approach, aiming to project both premiums and fees, as well as benefits and expenses, to capture all cash flows for longevity reinsurance.

Levine discussed each step in the proposal, which included the updated language for the total asset requirement (TAR) floors. He stated that the Academy does not endorse TAR floors; however, they were included in the proposal at the Subgroup's request. Levine said that the first step of the Academy's proposal is to project cash inflows from premiums and reinsurance fees. The next step is to project benefits and expenses under three different scenarios that cover the baseline mortality level and shocks. The third step is to calculate three TAR amounts. The updated language was used to set a floor for each TAR amount. The floor is set at 2% of the scheduled longevity benefits over the next 12 months.

Levine noted that the discount rate that is used depends on whether the liabilities use a principle-based reserving (PBR) or a pre-PBR approach. He said the intent is not to use anything punitive in terms of discounting because the focus is on the longevity risk.

Levine stated that the C-2 charge is an aggregation of TARs with the formula shown in step four. He pointed out that the C-2 charge is floored at zero for regulatory purposes.

3. Discussed Comments Received on C-2 Longevity Risk for Longevity Reinsurance

Brian Bayerle (American Council of Life Insurers—ACLI) spoke to the Academy's comment letter. He said that the ACLI would be comfortable with the Subgroup proceeding with the Academy's proposal but recommended a deferred implementation of any C-2 charge until 2027. He said that the updates to the blanks could be implemented without any update to the C-2 factors, with a commitment to perform the additional analysis and development before the 2027 implementation of the C-2 charge. He said that the ACLI wants to ensure that the mortality level contemplated within the development of the C-2 charge is appropriate and justified. The charge should reflect any risk that is not captured within the existing statutory framework.

Eom asked Bayerle to clarify whether the ACLI proposed making a structural change to the blanks and performing an additional study for the life risk-based capital (RBC) instructions or adopting the Academy's proposal as is, with a possibility of changing the instructions in the future based on the study to be conducted. Bayerle said that the ACLI is comfortable with the structure being implemented, but would want a commitment to have the additional analysis performed for the Academy's proposal.

Hemphill said she agreed to make the structural changes, with the additional work to be performed later.

4. Adopted Proposed Changes to LR025-A for Longevity Reinsurance for 2026

Eom proposed that the Subgroup decide whether the TAR floor should be included in the life RBC instructions and asked Levine for comments that could help the Subgroup make a decision. Levine stated that the Academy's original proposal, which did not include the floor, would work as intended. He said that flooring could result in unintended outcomes; therefore, the Academy did not endorse the floor.

Hemphill said that she agreed with Levine that flooring generally makes the result less conservative. She said that the focus should be placed on the specific stress and how it is applied. She also suggested running a single composite rather than the three shown in the Academy's proposal.

Carmello asked Hemphill whether she meant to apply the stress factor to both the mortality level and the mortality improvement simultaneously, or just apply a larger factor to the mortality. Hemphill said that an improvement stress factor is needed, and the question is whether one run can accommodate both. Carmello said that he agreed.

Carmello then asked whether the TAR of zero in the formula is the same as the reserve. Levine stated that a TAR of zero is the unfloored reserve. Carmello then asked why the C-2 charge cannot be derived by subtracting the reserve from a TAR amount. Hemphill responded that the C-2 charge can be derived that way if there is only one run that reflects stresses to both the mortality and mortality improvement. Levine said that a TAR of zero is needed to understand the starting profitability of the block. Carmello asked why the RBC amount cannot be the excess over a TAR of zero, as opposed to subtracting the reserve as shown in the formula. Levine said subtracting the reserve would result in a credit, since the amount is held in the reserve. Carmello said that he did not agree with this concept. He suggested not taking out the conservatism in the reserve when calculating the RBC factor.

Serbinowski discussed a situation where a TAR of zero, a TAR of one, and a TAR of two are all negative, and the floor may be unwanted. He said that in this situation, a TAR of one minus a TAR of zero would be positive, and a TAR of two minus a TAR of zero would also be positive. Based on the Academy's proposal, there is no need to hold additional capital because the negative unfloored reserve plus the positive capital is still less than the statutory reserve, which serves as a floor.

Hemphill asked Serbinowski to clarify whether he meant that the calculated C-2 charge would be zero because the sum of all shocks would still be below the statutory reserve. Serbinowski said that he questioned the requirement for additional capital on top of a higher floored reserve amount that is more than required. Hemphill suggested a TAR of one that has the same floor as the statutory reserve and includes stress on both the mortality level and mortality improvement. She said that it will be fine if it results in a zero capital charge and that it is consistent with C-3 phase two. Serbinowski said that if there is one stress, the formula in the proposal will be reduced to the greater of a TAR of one minus the statutory reserve and zero.

Eom said that if the Subgroup decides to conduct further analysis to develop the instructions, all of the approaches can be analyzed before a decision is made.

The Subgroup then discussed the proposed changes to the life RBC blanks (Attachment XX). Eom briefly discussed the structural changes and said that companies can enter zero for the capital requirement in line seven for 2026.

Maggie Chang (NAIC) asked whether companies are expected to provide the statutory reserve in line six, which has no impact on the RBC. Hemphill said that she had the same question and asked why line six is needed. Carmello suggested removing it, which, in turn, would make what is currently shown in line seven become line six, and what is currently shown in line eight become line seven.

Bayerle suggested editing the instructions to ask companies to enter zero for the statutory reserve in line six for 2026 and mentioning that the instructions would be updated when the additional work on factors is completed. The Subgroup agreed to remove line six and edit the instructions to ask companies to enter zero for the capital requirement for 2026 in line seven, and remove the irrelevant language in the instructions for LR025-A.

Hemphill made a motion, seconded by Serbinowski, to adopt the structural and instructional changes to LR025-A. The motion passed unanimously.

5. Discussed Other Matters

Hemphill said that for further study, she hopes the Academy can look into a single TAR of one that would reflect the stress on both the mortality level and the trend. She stated that she hopes the Academy will specify a trend level for a TAR of one rather than having a fixed differential to the baseline for the trend stress.

Carmello said that he likes the idea of subtracting the reserve and having the same floor for the RBC.

Eom suggested the Subgroup consider asking the Academy to bring a plan for further study that will reflect current suggestions so that regulators can make further suggestions. Hemphill asked Eom to confirm whether she meant to ask the Academy to outline a plan for a study based on input from the Subgroup. Eom said she hopes the scope and details of the work can be agreed upon so that time is not wasted. Hemphill agreed.

Serbinowski suggested being more specific about regulators' preferences. He stated that if regulators have a strong desire for one stress, it should be clearly communicated. He also asked whether the Academy could provide any guidance on whether the same stress can be applied to mortality in a different country. Hemphill said that she agreed that the stress could vary by country. Eom said she wants more communication while the Academy performs the study. She asked Levine whether the Academy could provide any proposals for the study. Levine said the Academy could put together some items for consideration, including what the study would look like.

Eom said the Subgroup needs to schedule its next meeting to review the Academy's proposal and asked how much time the Academy would need. Levine said that the Academy would need a couple of weeks to a month to think its proposal through. Eom asked whether it is reasonable for the Subgroup to plan to meet in May. Levine said that the week of May 11 would work. Eom said a poll would be distributed to schedule the Subgroup's next meeting, where it will discuss next steps.

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

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Agenda Item 2

Discuss the Work of the

VM-22 (A) Subgroup

VM-22 Inforce Discussion

What are general types of documentation/criteria that companies should provide upon a transition from pre-PBR CARVM to PBR for inforce blocks?

Academy:

a. Reserve comparison (pre-PBR vs PBR)
b. Attribution analysis of the change
c. Key risk/economic metrics (asset/liability duration, asset yield, interest rate sensitivity, sensitivity to key assumptions, margins, and key drivers of changes in reserves)
d. Sensitivity testing (to determine changes in underlying economics vs. insurance assumptions)

ACLI:

Detail on the reasonability of assumptions used being consistent for VM-31; for non-PBR blocks, demonstrate the appropriateness of reserves backing the block

VM-22 Inforce Discussion

What should be the frequency and timing of inforce application?

- One-time vs. recurring testing for going from CARVM to PBR?

- Should companies be allowed to move to PBR at future points, or set a one-time date before which companies must decide and not switch back.

If a company has the option to elect VM-22 requirements instead of pre-PBR CARVM requirements for a group of contracts, then:

1. What are types of potential evaluation criteria for explaining the reserve impact and drivers, and how frequently should these be provided?
2. Should there be a one-time option to implement or could companies implement at future points?
3. How should testing be designed to address aggregation impacts on business already valued under VM-22 requirements?
4. If a portfolio supports both VM-22 business and pre-PBR CARVM business, what requirements would help address concerns of intentionally allocating assets to achieve lower reserves?
5. How can AG 53-type asset documentation be used in disclosures and evaluation criteria?
6. When and how could the NAIC Valuation Analysis (E) Working Group be involved in the review process?

ACLI Proposal on Inforce Applicability of VM-22

1. Overview
    a. VM-A/C/V is the default option.
    b. VM-22 may be elected with domestic regulator notification and review.
    c. The election may be done at a policy form level, and supporting analyses may be performed in aggregate where appropriate.
    d. Once an election to move to VM-22 has been made and not rejected, the election cannot be reversed.

2. Evaluation Criteria for VM-22 election
    a. If the company does not elect to apply VM-22 and maintains all business on VM-A/C/V, no additional analysis is required.
    b. For policy forms where the company elects to apply VM-22, the company will demonstrate the reasonability of assumptions consistent with VM-31 Section 3.F.3.
    c. If the company elects to apply VM-22 for some policy forms, for VM-A/C/V policy forms where the company does not elect to apply VM-22 but otherwise would be in scope of VM-22, the company will perform a one-time demonstration of the appropriateness of the reserves, which may be done on an aggregate basis, using any of the following criteria:
        i. Materiality threshold (TBD);
        ii. Exclusion testing (TBD);
        iii. Demonstration of reserve adequacy; or
        iv. Other reasonable quantitative testing currently defined within VM-22.

3. VM-22 implementation timeline
    a. The company will notify their domestic regulator of the intent to elect to apply VM-22 to some/all policy forms by some specified time (TBD).
    b. The company will provide the VM-22 analysis and VM-A/C/V analysis to their domestic regulator by some specified time (TBD).
    c. The domestic regulator will have time to review submitted materials and determine if they reject the company's election (TBD).
    d. If the domestic regulator rejects the election, the company may remedy the concerns raised and resubmit the VM-22 analysis and VM-A/C/V analysis for additional regulatory review.

AMERICAN ACADEMY of ACTUARIES

June 22, 2026

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

Re: VM-22 Retrospective Application Exposure

Dear Chair Slutsker:

On behalf of the Annuity Reserves and Capital Subcommittee (ARCS) of the American Academy of Actuaries,[1] we appreciate the opportunity to comment on the VM-22 Retrospective Application Exposure, which puts forth several questions regarding the potential retrospective application of VM-22.

1. **What are types of potential evaluation criteria for explaining the reserve impact and drivers, and how frequently should these be provided?**

For retrospective adoption, companies should clearly demonstrate the impact of transitioning a block from pre-PBR CARVM to VM-22. The objective is to provide transparency into both the magnitude of reserve changes and the key drivers, while allowing reasonable flexibility in approach.

Evaluation Criteria

The following criteria are appropriate:

- **Reserve comparison**: Comparison of pre-adoption and post-adoption (VM-22) reserves, including results both before and after aggregation with existing VM-22 business. Where applicable, results should also be presented gross and net of reinsurance.

- **Attribution analysis**: A clear and structured reconciliation from pre-adoption to VM-22 reserves that identifies and explains the key drivers of change, including but not limited to:
  - Methodology differences;
  - Discount rate impacts;
  - Asset and reinvestment assumptions;
  - Policyholder behavior;
  - Aggregation impacts.

Companies should have flexibility in approach, though some consistency may aid regulatory review. Results should be reasonably granular to identify the material drivers of the difference in reserves, yet not so granular that significant work with little value is performed.

- **Key risk and economic metrics**: Companies may be expected to provide metrics that give context on the underlying risk profile and help assess the drivers of reserve differences. These metrics would generally be consistent with information already produced for VM-31 documentation, rather than representing new reporting requirements. Examples include, but are not limited to:
  - Asset/liability duration;

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

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- o Asset yield;
- o Interest rate sensitivity;
- o Sensitivity of reserves to key liability assumptions, including policyholder behavior (e.g., surrender and lapse), mortality, and longevity;
- o Margins on key assumptions;
- o Description of the scenarios driving reserve outcomes.

- **Sensitivity testing**: Performed where reserve changes are material to help distinguish impacts driven by underlying economics versus methodology differences.

Frequency

- **Initial analysis**: A one-time analysis at the point of election, sufficient to support the adoption decision.
- **Ongoing reporting**: After adoption, the business would be subject to standard VM-22 reporting and governance, including VM-31 documentation. No separate or ongoing reporting specific to retrospective adoption is intended.

2. Should there be a one-time option to implement or could companies implement at future points?

ARCS believes there are valid arguments for allowing for either a one-time option or for future points, both of which offer benefits and drawbacks for your consideration:

Option A: All companies implement at the same time.

a. The benefit of this option is the changes to reserves would happen uniformly across the industry, instead of over a staggered period of time. This would allow regulators to gain greater insight into the movements of reserves and the methodologies used across companies.
b. One key drawback is the increased burden on regulators in the year of the implementation. Additionally, some companies may want and be ready to adopt sooner, while others may want to wait until their systems are upgraded or until capital framework changes are finalized. Regulators may be able to learn from early adopters and address concerns before others adopt.

Option B: Companies can select different points in time, but when a company selects a point in time, it must be for all businesses that would be brought into VM-22.

a. The key benefit of Option B when compared to Option A is the flexibility it provides companies to adopt when they are ready, rather than waiting until the entire industry is ready. It potentially increases the number of companies that decide to adopt VM-22 retrospectively. A staggered implementation period would allow regulators to learn from early adopters who are ready to adopt sooner than others.
b. Drawbacks include the potential shifts in reserves and capital happening at different points in time for different companies, as well as the possibility that a majority of companies would wait until the end of the implementation window in order to implement all of their optional business, instead of implementing each block of business as they are ready.

Option C: Each company can select different points in time for different blocks of business

a. We believe this path provides companies with the most flexibility of implementing retrospective VM-22 and is the most likely to encourage more companies to retroactively adopt VM-22. It is the most in line with the currently proposed optional adoption framework, where companies can adopt each retroactive block by policy form as they are ready. This in turn will potentially increase the dispersion of when blocks of business are adopted, allowing regulators to gain insight into more early adopters

b. The primary drawback of this option is, unlike Option A or B, the full impact of retrospective adoption on the company is unlikely to be captured at one point in time and, instead, will be staggered. This can be material, due to the levels of aggregation allowed in VM-22. For example, assume company ABC adopts a retrospective FDA block in 2028 a retrospective payout block in 2029 that is aggregated with the previously adopted FDA block, and a FIA block in 2030 that is aggregated with payouts and FDA. This would make understanding the full impact of retrospective adoption difficult to capture until after the company is finished adopting all optional blocks of business.

Regardless of which path is taken, ARCS believes that adoption should be irrevocable. Companies should not be allowed to go back to CARVM after electing PBR. Ideally, the implementation window should partially overlap with the implementation of VM-22 on a prospective-only basis. This allows for early retrospective adopters to reduce large year-over-year variances that could be due to changes in methodology (e.g., asset selection) arising from modeling a prospective-only block one year and a full-retrospective block the next. The implementation window for retrospective adoption should have a reasonable end date.

3. <u>How should testing be designed to address aggregation impacts on business already valued under VM-22 requirements?</u>

ARCS recommends that reserves be calculated and disclosure be provided in a couple of different ways. Calculations should be performed for all blocks of business that can be adopted retroactively, unless rationale is provided for why calculations are not done for a particular block that is not being retrospectively adopted (e.g., small, closed block of business). Materiality or other considerations should be explained by the actuary to justify why numerical calculations for any blocks of business were not included. ARCS also recommends that companies wishing to adopt VM-22 prospective-only need not provide information on older blocks of business. Blocks should be determined based on similar product form and product characteristics, as well as whether the company intends to apply VM-22 to that block or not. For each block of business, reserves should be run on a standalone, pre-VM-22 basis as well as on a VM-22 basis. This would identify the benefit or cost from a reserving standpoint of moving or not moving the block reserve calculations to VM-22.

For each retroactive block that will be moved to VM-22,

- The aggregation benefit of combining that block with the current VM-22 block should be calculated. For example, Blocks A, B, and C are targeted to move from a pre-VM-22 basis to VM-22. Block A is aggregated with the VM-22 block, while Blocks B and C are not included. The same is done for Blocks B and C independently of one another. This will identify the aggregation benefit of adding a particular block to VM-22.

- All proposed blocks to move to VM-22 would then be aggregated with the VM-22 block, so that the aggregation benefit can be determined. There will likely be some disconnect with the prior analysis because of aggregation benefits between retroactive blocks. This will identify the overall aggregation impact from the proposed retrospective block movements to VM-22.

- All blocks would then be run, both those that are intended to move to VM-22 and those that are not, with the VM-22 block to determine the aggregation benefit. This will identify if there is a material difference in reserves, whether retrospective adoption was all or nothing.

There should be descriptive information provided explaining company decisions on moving to VM-22 or not. This should include any explanation of material reserve decreases from the decisions made.

All of these analyses should reflect VM-22 rules on aggregation, such as by reserving category or being able to combine the payout and accumulation categories, appropriate model segments, etc.

4. **If a portfolio supports both VM-22 business and pre-PBR CARVM business, what requirements would help address concerns of intentionally allocating assets to achieve lower reserves?**

Generally speaking, good risk management practices provide reasonable matching of asset and liability cash flows. When only a portion of the liability is under VM-22, there is a need to segment the assets that are managed in aggregate for the full liability down to only the portion of the liability under VM-22. To address concerns for how the assets are segmented, we suggest the following safeguards be considered:

- A reconciliation of the asset portfolio should be provided with rationale that describes how assets are segmented across VM-22 and non-VM-22 business. Consistency with the allocation method and the company's day-to-day asset management should be explained.
- Required alignment of asset allocation, including any approximation methods used for the setting of non-guaranteed elements (NGEs) and the asset allocation, used for VM-22.
- Enhance cash flow testing guidance, disclosures, and oversight to ensure that assets allocated for VM-22 are not counted elsewhere.
- Descriptive statistics about the economic risk position of the relevant portion of the company's General Account, using the company's own methodology, demonstrating the appropriateness of assets selected for VM-22, as well as similar measures to demonstrate the impact of any segregation on the residual balance sheet's risk position. Such details could include (for both allocated assets, in-scope liabilities, and the net of asset and liability outcomes with definitions e clarified at a later date):
    - Liability and effective asset duration;
    - Interest rate metrics;
    - Market/Book value;
    - Market value by issue year or WAL;
    - Implied net spread (e.g., yield relative to cost of funds).
- A movement analysis of assets allocated to in-scope liabilities with any movement beyond routine acquisition and disposition activity fully rationalized (and scrutinized by regulators).
- Stress testing alternative asset allocations such as a pro-rata slice of the company's entire General Account or using a benchmark starting portfolio

5. **How can AG 53-type asset documentation be used in disclosures and evaluation criteria?**

Since not all assets would necessarily be used to value the blocks under VM-22, a description of the assets used (e.g., using AG 53 categories) along with their net market spread and guideline excess spread may be helpful. Assets not used in the evaluation can be similarly identified. An explanation of the decision process used to include or not include certain assets could also be helpful.

There may also be value in understanding how complex assets are valued and modeled. Descriptive information in this regard should help in understanding the company's thought process.

6. **When and how could the NAIC Valuation Analysis (E) Working Group be involved in the review process?**

ARCS does not have any specific comments or positions on how VAWG could be involved.

We appreciate the opportunity to provide our feedback on the retrospective application exposure. If you have any questions or would like to discuss these comments further, please contact Marie Fabienne

Amisial (amisial@actuary.org), the Academy's life policy project manager.

Sincerely,
Bruce Friedland, MAAA, FSA
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June 18, 2026

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

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

Re: 2026 NAIC Spring National Meeting VM-22 Retrospective Application Exposure

Dear Chair Slutsker and Vice Chair Lam:

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide feedback on the latest exposure related to the potential retrospective application of VM-22 requirements. We are grateful for the inclusion of our proposal on inforce applicability of VM-22 in the exposure along with the cover letter questions.

As a general comment, application of VM-22, prospectively or retrospectively, should not create new prescriptive requirements focused on tracing particular assets to particular liabilities. We do not think VM-22 creates or obscures any risks; compared to prior standards VM-22 only provides additional insight into the interaction between assets and liabilities. The Actuarial Opinion and existing reporting frameworks continue to provide sufficient tools to assess the sufficiency of assets supporting policyholder obligations.

Responding to the exposure document itself, ACLI presents the following feedback on the cover letter questions:

1) *What are types of potential evaluation criteria for explaining the reserve impact and drivers, and how frequently should these be provided?*

   The "Evaluation Criteria for VM-22 election" should provide regulators comfort on the rationale behind reserve impacts. For blocks electing to apply VM-22, companies should provide detail on the reasonability of assumptions used consistent with VM-31 Section 3.F.3.; for blocks where VM-22 is not being elected but others are taking the election, companies should demonstrate the appropriateness of the reserves backing the non-VM-22 block. Concerning timing, companies should provide analysis when they move a block of business, and this should only be repeated if additional blocks are elected in the future. The analysis required by VM-31 and ongoing aggregate asset adequacy testing (AAT) are sufficient to evaluate VM-22 reserves and risk associated with fixed annuity business.

2) *Should there be a one-time option to implement or could companies implement at future points?*

A flexible implementation approach is preferable, allowing future elections rather than limiting implementation to a one-time option. This would allow companies to stage implementation, transition more smoothly to new asset portfolios, and address operational timing constraints. Allowing implementation at multiple points would also enable both companies and regulators to learn from early, smaller-scale adoptions and apply that experience to subsequent elections.

3) *How should testing be designed to address aggregation impacts on business already valued under VM-22 requirements?*

The design of any testing for aggregation impacts should follow from the evaluation framework ultimately adopted. Until those specifications are established, it is difficult to assess if any additional testing is appropriate. More broadly, any such testing should avoid creating duplicative requirements where existing frameworks already address the relevant considerations.

4) *If a portfolio supports both VM-22 business and pre-PBR CARVM business, what requirements would help address concerns of intentionally allocating assets to achieve lower reserves?*

Differences in supporting assets following VM-22 implementation would not, by themselves, indicate inappropriate "cherry-picking," as companies may, and do, reasonably adjust investment strategies on an ongoing basis. At the same time, we understand the Subgroup's interest in ensuring that elections are not used to achieve unintended reserve outcomes. The aggregate AAT documentation regarding asset allocation decisions and the PBR reinvestment guardrail should provide regulators with meaningful information to evaluate those decisions while avoiding unnecessary duplication of existing requirements.

Asset selection and allocation decisions are subject to documentation requirements under VM-31 Section 3.F.4.d, which provides ongoing transparency into the associated rationale and valuation implications. Further the assets selected to back reserves are for the benefit of the policyholder. These same assets backing reserves must be recognized in a consistent manner with the setting of non-guaranteed elements, specifically when determining crediting rates.

5) *How can AG 53-type asset documentation be used in disclosures and evaluation criteria?*

Additional documentation could be incorporated into VM-31 reporting through commentary on the portion of assets allocated to VM-22 business that may have higher net yields, along with discussion of the valuation implications of including those asset classes. In addition, the asset-related information already required under VM-31 Section 3.F.4 can be leveraged for this purpose. The PBR reinvestment guardrail and aggregate AAT should also help address broader concerns regarding asset allocation.

6) When and how could the NAIC Valuation Analysis (E) Working Group be involved in the review process?

   We recognize the value VAWG provides in evaluating complex valuation matters. While we do not believe routine review of all elections is necessary, VAWG involvement could be appropriate for situations involving material reserve impacts, novel implementation issues, or other circumstances where additional regulatory review would provide value.

Finally, with respect to timing, we note the importance of considering the interaction between new business implementation, unresolved aspects of the framework, and an inforce application framework. Companies are currently undertaking the significant work necessary to implement VM-22 as adopted for the 2026 Valuation Manual for new business. Beyond these requirements, several related VM-22 initiatives are currently under consideration, including retrospective application of VM-22, potential scope expansion (GICs, stable value, etc.), asset selection methodology, the reinvestment guardrail for PRT and income annuities, and various other "Day 2" items. Given the number of related workstreams under consideration, we believe it would be helpful to have a dialogue regarding prioritization, timing, and order of operations, with sufficient flexibility in implementation timing to address these interdependencies. Greater clarity on which initiatives should be addressed first, and how they are expected to interact, would help companies avoid duplicative work and unnecessary operational complexity, resulting in a more thoughtful, coordinated, and effective implementation.

Thank you once again for the opportunity to provide this feedback and we look forward to additional discussion on this topic soon.

Sincerely,

Colin Masterson

cc: Scott O'Neal, NAIC

Life Actuarial (A) Task Force/ Health Actuarial (B) Task Force
Amendment Proposal Form*

1. Identify yourself, your affiliation, and a very brief description (title) of the issue.

   Identification:
   NAIC VM-22 (A) Subgroup

   Title of the Issue:
   Reserving Treatment for GICs, Funding Agreements, and Stable Value Contracts

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:

   2026 Valuation Manual, VM Section II, Subsection 2.C and VM-22 Section 6

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

   See following page

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

   For the initial adoption of VM-22 PBR, GICs, Synthetic GICs, funding agreements, and stable value-type contracts are all out-of-scope. As a day 2 item, one question was whether to include these types of contracts in PBR. This APF includes these contracts in PBR, but provides a set of criteria for which common types of these contracts could be more easily excluded from PBR under the exclusion test section of VM-22 (Section 7).

Dates: Received	Reviewed by Staff	Distributed	Considered
7/28/26	A.F.		
Notes: 2026-06			

VM Section II, Subsection 2.C:

Minimum reserve requirements for non-variable annuity contracts issued prior to 1/1/2026 are those requirements as found in VM-A, VM-C, and VM-V as applicable, with the exception of the minimum requirements for the valuation interest rate for single premium immediate annuity contracts, and other similar contracts, issued after Dec. 31, 2017, including those fixed payout annuities emanating from host contracts issued on or after Jan. 1, 2017, and on or before Dec. 31, 2017. The maximum valuation interest rate requirements for those contracts and fixed payout annuities are defined in VM-V, Statutory Maximum Valuation Interest Rates for Formulaic Reserves.

Minimum reserve requirements for non-variable annuity contracts issued on 1/1/2026 and later are those requirements as found in VM-22, with the exception of Preneed Annuities, ~~Guaranteed Investment Contracts, Synthetic Guaranteed Investment Contracts, Funding Agreements, and other Stable Value Contracts~~ which shall follow the requirements found in VM-A, VM-C, and VM-V.

VM-22 Section 6.A.4:

A. Requirements to Pass the Stochastic Exclusion Tests

Groups of contracts pass the SET if one of the following is met:

1. Stochastic Exclusion Ratio Test (SERT)—Annually within 12 months before the valuation date the company demonstrates that the groups of contracts pass the SERT defined in Section 7.C.

2. Stochastic Exclusion Demonstration Test—In the first year and at least once every three calendar years thereafter, the company provides a demonstration in the PBR Actuarial Report as specified in Section 7.D.

3. SET Certification Method – For any groups of contracts within the scope of VM-22, the qualified actuary may document that the groups of contracts have passed the exclusion test through an approach other than the SET Certification Method within the past three years and that there have not been material changes in the interest rate risk, mortality and/or longevity risk, or asset return volatility risk inherent in the liabilities and supporting assets. Alternatively, for groups of contracts that do not have guaranteed living benefits, future hedging strategies, or pension risk transfer business, in the first year and at least every third calendar year thereafter, the company provides a certification by a qualified actuary that the group of contracts is not subject to material interest rate risk, mortality and/or longevity risk, or asset return volatility risk (i.e., the risk on non-fixed-income investments having substantial volatility of returns, such as common stocks and real estate investments).

Guidance Note: The qualified actuary should develop documentation to support the actuarial certification that presents his or her analysis clearly and in detail sufficient for another actuary to understand the analysis and reasons for the actuary's conclusion that the group of contracts is not subject to material interest rate risk, mortality and/or longevity risk, or asset return volatility risk.

Examples of methods a qualified actuary could use to support the actuarial certification include, but are not limited to:

a) A demonstration that, for the group of contracts, reserves calculated using requirements under VM-A, VM-C, and VM-V are at least as great as the assets required to support the group of contracts and certificates using the company's cash-flow testing model under each of the 48 scenarios identified in Section 7.C.1 or alternatively each of the New York seven economic scenarios under each of the three mortality adjustment factors identified in Section 7.C.1. When using the cash-flow testing models, the company shall use the cash-flow testing model with explicit margins and/or sensitivities such that moderately adverse conditions are reflected for risks other than the economic scenarios.

b) A qualitative risk assessment of the group of contracts that concludes that the group of contracts does not have material interest rate risk, mortality and/or longevity risk, or asset return volatility. Such assessment would include an analysis of product guarantees, the company's non-guaranteed elements (NGEs) policy, assets backing the group of contracts, the company's mortality and/or longevity risk, and the company's investment strategy.

4. Group Investment Contract Risk Evaluation – For Guaranteed Investment Contracts, Synthetic Guaranteed Investment Contracts, Funding Agreements, and other Stable Value Contracts, certify that all of the following criteria are met, along with a written description of how contract works and each item is met:

   a. Limited exposure to policyholder behavior risks related to surrender and withdrawal timing

   b. Limited exposure to biometric risks related to mortality and longevity, such as life contingent payout benefits or long-term payout benefits

   c. Maturity of ten years or less after the initial contract is issued

   d. Absence of material embedded optionality, such as features that create asymmetric, path-dependent, or market-contingent outcomes (e.g., options or guarantees that materially increase sensitivity to economic scenarios)

   e. Minimal asset-liability mismatch risk, such that liability and supporting asset cash flows are not expected to produce material asset-liability mismatch risk under a range of economic conditions

Alternatively, for only Synthetic Guaranteed Investment Contracts, rather than satisfying the criteria listed above, certify that all of the following criteria are met instead, along with a written description of how contract works and each item is met:

a. Contain contractual provisions that materially limit tail risk and pass back the risk to the contractholder through features such as benefit-responsive withdrawal restrictions, experience rating mechanisms, or terminations provisions that significantly reduce the likelihood of adverse, path-dependent outcomes under stressed scenarios

b. Risks are structurally constrained through cash flows driven by aggregate, plan-level activity across a large number of individual participants, and no single participant or contract holder has the discretion to exercise contractual features in a manner that would significantly alter contractual payments

~~a.~~ c. Requires the insurer to make cash payments for residual benefits only after plan or trust assets are depleted and the severity of the economic shock required for making such payments is beyond moderately adverse conditions

AMERICAN ACADEMY
of ACTUARIES

June 8, 2026

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

Re: VM-22 Application to GICs, Funding Agreements, SGICs, and Stable Value Contracts

Dear Chair Slutsker:

On behalf of the Annuity Reserves and Capital Subcommittee (ARCS) of the American Academy of Actuaries,[1] I appreciate the opportunity to comment on the recent exposure requesting discussion on the inclusion of Guaranteed Investment Contracts (GICs), Synthetic Guaranteed Investment Contracts (SGICs), Funding Agreements, and other Stable Value Contracts in VM-22 and am pleased to provide the following comments.

1. If some contracts are ultimately excluded from the scope of VM-22, what are specific product design/risk characteristics that could be listed as criteria for warranting such an exclusion?

The following could be used as exclusion criteria for products that exhibit all of the following product design and risk characteristics:

1) **Limited exposure to policyholder behavior and biometric risks**: Products where liability cash flows are not materially sensitive to assumptions related to policyholder behavior (e.g., surrender or withdrawal timing) or biometric risks (e.g., mortality or longevity). This includes contracts with limited ability for policyholders or contract holders to alter the timing or amount of cash flows once issued.

2) **Short expected cash flow duration**: Products where the liability runoff is limited (for example, below a defined threshold such as a few years), reducing exposure to reinvestment, interest rate, and long-tail risks.
Note: Some products under consideration may span from 1 month to 10 years (or longer), so a clear duration threshold would need to be established.

3) **Absence of material embedded optionality**: Liabilities that do not contain features that create asymmetric, path-dependent, or market-contingent outcomes (e.g., options or guarantees that materially increase sensitivity to economic scenarios).

4) **Minimal asset-liability mismatch risk**: Liability and supporting asset cash flows are not

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

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expected to produce material asset-liability mismatch risk under a range of economic conditions.

Alternatively, for SGICs and other similar contracts, exclusion may be appropriate where the following conditions are met:

1) **Contractual provisions materially limit tail risk exposure or pass risk back to the contract holder**: Features such as benefit-responsive withdrawal restrictions, market value adjustment mechanisms, experience rating mechanisms, or termination provisions can significantly reduce the likelihood of adverse, path-dependent outcomes under stressed scenarios. As a result, residual risks may be less aligned with the types of tail risks that a stochastic CTE70 framework is primarily intended to capture.

2) **Risks are structurally constrained**: Cash flows are driven by aggregate, plan-level activity across a large number of individual participants, and no single participant or contract holder generally has the discretion to exercise contractual features in a manner that would significantly alter contractual payments.

3) **Risk attachment point is beyond the reserve level**: Certain contracts may provide coverage only after plan or trust assets have been depleted before the insurer is required to make cash payments for residual benefits. In this case, the severity of the economic shock required for material payments to be made by the insurer may be beyond the level intended to be captured by the reserve framework.

The exclusion criteria above may result in certain payout annuity contracts that are currently within the scope of VM-22 being scoped out, particularly contracts exhibiting limited policyholder risk, minimal asset-liability mismatch risk, limited optionality, and relatively short durations. To the extent such contracts are excluded from VM-22, they would continue to be subject to applicable statutory reserving guidance outside of VM-22.

2. If these products continue to be excluded from VM-22, how would interest rate risk, credit spread risk, reinvestment risk, withdrawal risk, and tail scenarios regarding book value and market value differences be addressed?

While current CARVM does not have a mechanism to directly reflect the asset risks posed in this question, a variety of other regulatory and risk management processes exist that may help address these risks:

- **Asset Adequacy Testing (AAT)**: Intended to capture asset risk and asset-liability mismatch risk; however, it may not fully capture tail scenarios.

- **Own Risk and Solvency Assessment (ORSA)**: Intended to identify, measure, and manage all material risks.

- **Internal asset-liability management and other internal risk management frameworks**: These vary by company and may or may not surface risks in a timely manner as conditions evolve.

- **Product-specific and state-specific regulatory frameworks:** Certain products may already be subject to product-specific requirements (e.g., NAIC Model Regulation 695 for SGICs), as well as state-specific statutes, regulations, filing requirements, actuarial review, or other regulatory oversight processes intended to address reserve adequacy, asset-liability management, and supporting asset risks. However, application may vary across states, potentially resulting in differences in regulatory treatment for similar products.

- **Regulatory audit**: May support or challenge the robustness and appropriateness of a company's processes; typically infrequent and may lag emerging or rapidly developing risks.

However, each of these processes may be less robust than a true quarterly PBR framework, particularly given differences in frequency, scope, and consistency of application. To the extent these processes are performed less frequently than PBR, or are applied differently across jurisdictions, emerging experience that impacts reserves and/or solvency may only become visible to management and regulators with a delay.

3. Please describe the anticipated size and scope of costs for implementing these products? Do you believe the benefits of requiring VM-22 for these products outweigh the cost?

Such costs may vary based on company-specific modeling capabilities, product design, and current reserving practices.

As noted in our prior comment letter[2], bringing these products into VM-22 would require additional modeling, memorandum disclosures, audit review, and potentially updates to VM-22 guidance where product-specific assumptions do not currently exist.

For example, for GICs and Funding Agreements, implementation may require updates to valuation models, assumptions, governance processes, and controls, particularly for products with floating-rate guarantees, index-linked crediting features, or other nontraditional structures. Conversely, these products may derive greater benefit from improved consistency and a more explicit reflection of interest rate, credit spread, reinvestment, and broader asset-liability mismatch risks.

4. What are potential impacts to reserve levels if scoping in these products?

The impact may vary meaningfully across GICs, Funding Agreements, SGICs, and Stable Value Contracts depending on contract design, asset strategy, withdrawal provisions, and the degree of asset-liability mismatch risk. The Academy has not performed product-specific modeling to quantify potential reserve impacts. However, several factors may influence reserve outcomes if these products are brought within the scope of VM-22.

For GICs and Funding Agreements, VM-22 may result in reserves that are more responsive to interest rate, credit spread, reinvestment, and contract design risks, particularly for products with floating-rate guarantees, index-linked crediting features, or other nontraditional structures.

For SGICs and Stable Value Contracts, reserve impacts would likely depend on factors such as the relationship between contract value and market value, underlying asset portfolios, benefit-responsive withdrawals, and termination provisions.

[2] Dated March 17, 2026, in response to the NAIC's exposure regarding VM-22 Funding Agreements GIC Stable Value.

As noted in our prior comment letter, current formulaic approaches may already produce reasonable reserve outcomes for certain products, particularly where risks are limited or addressed through existing statutory frameworks.

Thank you for your consideration of these comments. Please contact Marie Fabienne Amisial (amisial@actuary.org), the Academy's policy project manager, life, with any questions on this comment letter.

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

[Brian Bayerle](#)
Chief Life Actuary
202-624-2169

[Colin Masterson](#)
Sr. Policy Analyst
202-624-2463

June 8, 2026

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

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

Re: VM-22 Application to GICs, SGICs, FAs, Stable Value Contracts Exposure Questions

Dear Chair Slutsker and Vice Chair Lam:

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide commentary on the Subgroup's latest exposure of questions related to VM-22 Application to GICs, SGICs, FAs, Stable Value Contracts.

When considering the broader question of scope, ACLI's recommends allowing companies to notify their domiciliary regulator about applying VM-22 to the aforementioned products, while retaining the existing VM-A/C requirements as the default. While there may need to be language changes to the VM to accommodate the specific products being considered, such an elective approach is consistent recent proposals such as APF 2025-19 without unduly broadening the scope of VM-22.

Another approach, which could be considered separately or in tandem with the VM-22 election recommendation, would be to allow the valuation rates to be determined on a monthly basis for GICs, SGICs, and Stable Value contracts consistent with the approach taken for funding agreements, when these contracts remain under to VM-A/C requirements. The language used for deposit-type contracts valuation interest rate within Section II (Reserve Requirements), Subsection 3 (Deposit-Type Contracts) could be updated to accommodate GICs, SGICs, FAs, and stable value contracts, with the allowance for commissioner disapproval following notification.

We are open to discussing ways to address any concerns regulators may have regarding these elections.

Additionally, as regulators continue to consider this potential scope expansion, it will be important to consider this work in the context of other VM-22 initiatives currently underway, including retrospective application of VM-22, asset selection methodology, additional reinvestment guardrail considerations, and various other "Day 2" items. Companies are currently in the middle of implementing VM-22 for new business, while also evaluating how these in-flight initiatives may affect implementation decisions.

Given the number of related workstreams under consideration, we believe it would be helpful to have a dialogue regarding prioritization, timing, and order of operations. Greater clarity on which initiatives should be addressed first, and how they are expected to interact, would help companies avoid duplicative work and unnecessary operational complexity, resulting in a more thoughtful, coordinated, and effective implementation.

Thank you once again for the opportunity to provide this feedback and we look forward to further discussion on this topic soon as we move further along in the implementation and maintenance of VM-22 requirements.

Sincerely,

Colin Masterson

cc: Scott O'Neal, NAIC

Draft: 7/30/26

Valuation Manual (VM)-22 (A) Subgroup
Virtual Meeting
May 20, 2026

The VM-22 (A) Subgroup of the Life Actuarial (A) Task Force met May 20, 2026. The following Subgroup members participated: Ben Slutsker, Chair (MN); Elaine Lam, Vice Chair (CA); Lei Rao-Knight (CT); Xuan Yun Chan (IA); Matt Cheung (IL); William Leung (MO); Seong-min Eom (NJ); Amanda Fenwick (NY); Matt Elston (OH); Rachel Hemphill and Yujie (Iris) Huang (TX); and Craig Chupp (VA).

1. Adopted APF 2025-18

Slutsker introduced amendment proposal form (APF) 2025-18, which clarifies that not all deposit-type contracts are in scope of VM-22, Requirements for Principle-Based Reserves for Non-Variable Annuities. Slutsker said that the American Council of Life Insurers (ACLI) was the only commenter on the most recent exposure and that the ACLI expressed support. Chupp asked whether further details on the scope of deposit-type contracts in VM-22 appeared in *Valuation Manual* Section 2. Slutsker clarified that APF 2025-18 does not define deposit-type contracts but confirms that the categories of "deposit-type contracts" and "contracts in scope of VM-22" are neither mutually exclusive nor fully overlapping.

Lam made a motion, seconded by Huang, to adopt APF 2025-18 (Attachment A). The motion passed unanimously.

2. Adopted APF 2025-20

Slutsker introduced APF 2025-20, which modifies the aggregation requirements in VM-22 by removing prior conditions on aggregation between payout annuities and deferred (accumulation) annuities and by adding disclosures in VM-31, PBR Actuarial Report Requirements for Business Subject to a Principle-Based Valuation, including a reserve breakdown by reserving category. Slutsker said that two comment letters were received: 1) the ACLI's, which expressed support; and 2) the American Academy of Actuaries (Academy), which raised concerns about aggregation at the model segment level when business is managed separately. Slutsker said the consensus reached by the Life Actuarial (A) Task Force is that existing principles-level language already addresses the Academy's concern, and that the broader concern may be revisited in a future APF affecting VM-20, Requirements for Principle-Based Reserves for Life Products; VM-21, Requirements for Principle-Based Reserves for Variable Annuities; and VM-22.

Cheung made a motion, seconded by Huang, to adopt APF 2025-20 (Attachment B). The motion passed unanimously.

3. Exposed APF 2025-19

Slutsker introduced APF 2025-19, which addresses the valuation of guaranteed payment streams, settlement options, and annuitizations arising from host contracts issued before the operative date of principle-based reserving (PBR). Slutsker said the APF provides an election to value these arising contracts under the host contract methodology or under PBR, and that a chair exposure was issued following the 2026 Spring National Meeting.

Brian Bayerle (ACLI) walked through the ACLI's comment letter, which proposed: 1) adding clarification to establish the default treatment as the standard applicable to the host contract or life insurance policy at the time of issue, with an election available to use VM-22 (or VM-V, Statutory Maximum Valuation Interest Rates for Formulaic Reserves, during the VM-22 transition); 2) inclusion of a table illustrating default and election treatment by host contract issue date for annuity host contracts; 3) simplification of scope language through reference to VM-V Section 1A(2).; 4) retention of "notification and non-disapproval" language in lieu of "approval"; 5) policy-form-level consistency requirements for the elections; and 6) flexibility allowing the company to elect either the issue date of the host contract or the election date of the settlement/annuitization for determining the minimum valuation interest rate.

Slutsker said the edits helped clarify the requirements, but he expressed concern with the optionality regarding the date used to determine the minimum valuation interest rate. Allowing two valuation rate options within the pre-PBR election would permit the selection of the more favorable rate. He said this situation applies because of a long period of a low-interest rate environment, inflation in recent years, and rising interest rates. Slutsker suggested that companies seeking accuracy in valuation rate determination should instead elect VM-22. Huang and Lam agreed with Slutsker.

Ann Delaney (John Hancock) said she understood not wanting to provide a choice that would allow someone to choose at the date of annuitization the more favorable interest rate for reserves. She said the existing requirements were ambiguous and that companies may have already made policy-form-level decisions consistent with their interpretation. Delaney expressed concern that an APF specifying a single rate could create an administrative burden for companies that elected differently. She suggested permitting election at a policy form or block-of-business level. Hemphill requested the Subgroup have another call to hear more about how the existing language is being read as ambiguous or applied inconsistently by companies to ensure clear requirements. Reedy said Delaney's comments raise broader retroactivity considerations relevant to the in-force application discussion.

Cheung said the valuation rate at the election date of the settlement/annuitization is more consistent with how companies invest assets supporting the resulting payment streams, particularly when annuitization or settlement is not a common election at issuance. Fenwick agreed and said any use of the host contract issue date should require justification. Huang and Lam agreed with Cheung's approach.

Bayerle requested a 45-day exposure period given the complexity of the discussion. Slutsker said the APF would not affect the 2027 *Valuation Manual* given the timing, and he agreed with 45 days. Cheung agreed with the timing, noting that prior company elections and the type of settlement or annuitization option involved could produce unintended consequences.

Slutsker proposed exposing the APF again with the ACLI edits but revising the first sentence of the second-to-last paragraph to read as: "When following the minimum standard of valuation applicable to the host contract for the options and payment streams defined in (i) to (v) above, the company shall use the election date of the settlement/annuitization for determining the minimum valuation interest rate."

Cheung made a motion, seconded by Lam, to expose APF 2025-19 with the edits made by the ACLI and the Subgroup's revision requiring the company to use the election date of the settlement/annuitization for determining the minimum valuation interest rate, for a 45-day public comment period. The motion passed unanimously.

Having no other matters, the VM-22 (A) Subgroup adjourned.

Agenda Item 3

Hear an Update on the Work of the

Life Insurance and Annuities Illustrations (A) Working Group

(No Materials)

Agenda Item 4

Discuss Asset Portfolio Segmentation between

PBR and Pre-PBR Lines of Business

Concept for APF to Limit Cherry-Picking Assets in PBR

- Key PBR Principle
    - Require consistency between the model portfolio and actual company management practices

- Details
    - Scope
        - Applies to VM-20, VM-21, VM-22, VM-30, and VM-31
        - Applies to all starting assets, both fixed income and non-fixed income assets, as well as negative IMR
        - Although the "key principle" above is intended to apply to both starting assets and reinvestments, new requirements introduced by this APF will only apply to starting assets in general account portfolios (not reinvestments)
        - New requirements also apply to non-insulated separate accounts (e.g., certain PRT and RILA contracts) if there is any asset segmentation to support different products/liabilities within a single account
    - Multiple items of documentation will be required to support the asset segmentation within the model portfolio
        - If documentation requirements are not met, the company shall reflect a model portfolio that represents a prorata slice of the entire actual company general account portfolio
            - If documentation is not provided, a prorata slice of the portfolio is not a safe harbor
            - To accomplish this, will include wording to clarify that prorata cannot be held if a company thinks its modeled reserve would be higher if reflecting actual company management practices
            - Therefore, VM will not require two runs to determine whether prorata or anticipated portfolio is greater (as is the case with the reinvestment guardrail)
            - Note this will not be a requirement unless documentation is not provided to support ALM modeling is consistent with reality
        - "Prorata" refers to a proportionate slice of the entire general account portfolio, even if the portfolio supports multiple VM chapters, product lines, and surplus

- Use the same starting assets to support different blocks between PBR and VM-30

- Documentation Requirements (all items are required, pending any exemptions stated in this document)
    i. Excel Template - Fill out a prescribed excel template for VM-30 and VM-31 that requires the following:
        1. Mapping between groups of asset and liabilities which they support (note: does not imply pre-PBR and PBR liabilities are different groups, unless the company's management practices reflect such)
        2. Confirmation of mapping across PBR, CFT, ALM, and NGE determination
        3. Asset duration and liability duration for each segment
        4. Brief description of ALM strategy (e.g., tolerance between asset and liability matching, convexity, cash flow matching, and any other risk management measures for ALM)
        5. Brief description of investment governance structure
    ii. ALM Documentation - Materials explaining ALM strategy (e.g., duration matching within a certain range, cash flow matching, treatment for convexity. liquidity considerations)
    iii. Attestation – Attestation from a company officer that assets in the model portfolio are consistent with actual company investment practices
        - Separate attestations for VM-30 and VM-31
    iv. Investment Governance Structure – Minutes or materials from an investment governance committee that further supports model asset allocation being consistent with real company management practices
    v. Inforce Management – Documentation that the company is setting crediting rates (UL, deferred annuities), dividend surplus contributions (participating products), or other non-guaranteed elements using asset segmentation that is consistent with the PBR and CFT models
        - Note: This is not to review the appropriateness of NGE decisions themselves, but rather consistency of how asset segments are used in determining NGE decisions compared to models used for PBR/CFT.
        - The goal is not for crediting rates in a model to dictate how to set NGEs in reality; this is just to collect evidence that the assets in the model are consistent with company practices

vi. <u>Annual Updates</u> – Specific disclosure for any changes made compared to the prior year

- VM-21 & VM-22 Full Inforce Exemption
    - Upon inforce application of VM-22, any company that brings in all inforce business into PBR, the above disclosure requirements do not apply to VM-21 or VM-22, with the exception of the attestation requirement
        - This exemption does not apply to VM-20
        - This exemption still applies, even if exclusion testing is conducted within VM-22
            - If a company has all business in PBR, but passes exclusion testing for half of it, for example, the exclusion test still assumes the allocation of starting assets used and these assets cannot be used elsewhere
- Other
    - <u>Exemption for no portfolio segmentation and only prorata</u> – If the company has no segment breaks within a given portfolio and uses the full portfolio to support the liabilities (i.e., prorata mix), no documentation is needed other than an attestation
    - <u>Reinsurance</u> – The requirements in this proposal are post-reinsurance
    - <u>Segmentation between liabilities and surplus</u> – To the extent that asset segments/mixes within a single portfolio are different between liabilities and surplus, documentation should be provided to show this is consistent with actual company practices

Agenda Item 5

Discuss the Work of the

GOES (E/A) Subgroup

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Mike Yanacheak
Chair, NAIC Generator of Economic Scenarios (GOES) (E/A) Subgroup

Re: GOES Model Governance Framework 2026 Re-Exposure

Dear Chair Yanacheak,

The American Council of Life Insurers (ACLI) values the opportunity to provide feedback on the GOES Model Governance Framework. We are encouraged that there have not been any major GOES incidents and minor incidents are becoming more infrequent. As a result, we don't have any new issues to raise. Our comments are related to the items that we identified in last year's letter.

For this year's update, we propose adding "overview" and "key metrics" sections to the framework. The overview would clarify objectives for GOES and the strategy for achieving them. The key metrics would provide a way to review operational performance. Together, these additions would help create more consistent expectations for GOES. We have included proposed language for these sections in the two appendices.

We also suggest targeted updates to four aspects of the framework:

- Section IV.C, Model Inventory File, indicates that the location of the inventory file is TBD, and it doesn't appear to be available on the Documentation tab of the website where scenario data is hosted. Since there are now multiple model versions, we suggest prioritizing this part of the governance framework and uploading the inventory file alongside the other model documentation.

- Since companies use historical scenario files for calibration and auditing, we suggest retaining published GOES scenario files indefinitely and adding the following two sentences to section 3.D.2: "*Any published GOES scenarios or tools, including test files, will remain publicly available until further notice. Before removing access to any published files, the GOES (E/A) Subgroup will have a public notice and exposure.*"

- Replacing updated files in-place can be challenging for companies' model governance and audit functions. This happened in February when the Additional Statistics files for December 2024 through December 2025 were updated. For audit purposes, we would suggest including the valuation date, the date posted, the software version number used to produce the scenarios, the current version number for the model governance framework, and the file version number with all files. A list of file hashes would also be helpful.

- Currently, companies may have difficulty assessing the impact of model changes for their unique situation. This could be addressed by providing data to support regression testing. We suggest adding the following items to the Full Governance list in section VIII.A:
  - *"Hashes of the most recent quarter-end scenario files before and after the change, created from the same inputs."*
  - *"If the hashes are not the same, copies of the before and after versions of the most recent quarter-end scenario files, created from the same inputs."*

Thank you for re-exposing the GOES model governance framework. This kind of preparation plays a critical role in preventing and mitigating operational issues. We appreciate the GOES (E/A) Subgroup's efforts to support smooth operations.

Sincerely,

cc: Scott O'Neal, NAIC

Appendix 1 – Proposed "Overview" Section

The Generator of Economic Scenarios (GOES) is the model that produces scenarios for certain stochastic and deterministic reserve and capital calculations for life insurance and annuities. The requirements to use GOES can be found in the Valuation Manual and the NAIC RBC Instructions, both of which are available on the NAIC website (https://content.naic.org/publications/). GOES refers to whatever model the NAIC has selected for generating scenarios for these purposes as of the valuation date the calculations are performed; currently this is the GEMS Economic Scenario Generator developed by Conning. Regardless of the model used, GOES is a function of the NAIC and is managed by the Generator of Economic Scenarios (GOES) (E/A) Subgroup.

On the first business day of each month, GOES produces 10,000 economic scenarios, which can be downloaded from the Conning website (https://naic.conning.com/). NAIC provides economic data as inputs for the scenario generator software and reviews the output. When scenarios have been reviewed and approved, NAIC publishes them to the website and sends an email to the GOES (E/A) Subgroup distribution list announcing the new scenario data.

If scenarios aren't published on schedule, the GOES (E/A) Subgroup will provide an estimated timeframe for when they will be available. This is most likely due to a validation issue identified in the pre-release review process. If a significant delay (more than one business day) is expected, the Subgroup may instruct companies to use the prior month-end scenarios with adjustments as necessary. A significant delay would be followed by incident documentation (see "Process for Handling Model Findings") as well as process and model governance enhancements to prevent future incidents.

If there is a major error in published scenario data, it will be addressed immediately; minor errors will be addressed between months. As with a delay, a timeline and a fallback plan will be developed. Any errors will be followed by incident documentation and changes to the model, process, and governance as needed to prevent future errors. Since the dollar impact of errors will vary from company to company, they will be evaluated in terms of the percentage change in a company's RBC ratio (Total Adjusted Capital divided by Authorized Control Level RBC). For example, if a company's RBC ratio dropped from 700% to 690% because of the error, then the impact would be 10%. Estimated RBC ratios will be used to assess errors outside of year-end reporting.

GOES is recognized as a key input for life and annuity valuations, so significant delays and major errors may be treated as emergencies. There may be a call for quick public discussion of an issue, especially if it occurs at year-end, where it will be important to get input from both regulators and industry. If needed, the Life Actuarial (A) Task Force may consider a "Waiver of Task Force Procedure" as outlined in the Valuation Manual.

The model and this governance framework will both be maintained with routine reviews. The model calibration will be reviewed at least annually, and a full recalibration will be performed at least every five years. This framework will be reviewed and updated annually. Routine changes to the model, the processes surrounding it, and this framework will be exposed for comments following the normal NAIC process.

Appendix 2 – Proposed "Key Metrics" Section

GOES operational performance metrics will be made available with other GOES documentation on the Conning website (https://naic.conning.com/documentation/). Five key metrics will be tracked, in a spreadsheet that is based on the following tracking template:

- Number of times consecutive publication delays have occurred
- Number of multi-day publication delays
- Number of consecutive minor errors
- Number of major errors
- Number of regressions (errors that have resurfaced despite earlier remediation)

GOES Operational Performance Tracking Template (with illustrative example)

Scheduled Publication Date	Actual Publication Date(s)	Initial Publication Delay	Date(s) on which Errors were Identified in Published Data		
			Minor Errors	Major Errors	Regressions
01/01/20XX	01/02/20XX	1			
02/01/20XX	02/03/20XX	2	02/04/20XX		
03/01/20XX	03/02/20XX 03/03/20XX 03/04/20XX	1		03/02/20XX 03/03/20XX	03/03/20XX
04/01/20XX	04/01/20XX	0	04/03/20XX		
05/01/20XX	05/01/20XX	0	05/12/20XX		

The example in the tracking template above would have the following performance metrics:

- Consecutive publication delays: 2 (February, March)
- Multi-day publication delays: 1 (February)
- Consecutive minor errors: 1 (May)
- Major errors: 2 (March)
- Regressions: 1 (March)

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Generator of Economic Scenarios (GOES) Model Governance Framework

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I. Background

A. Purpose of the GOES Model Governance Framework

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

Actuarial Standard of Practice No. 56, *Modeling* (ASOP No. 56) defines **Model Risk** as "The risk of adverse consequences resulting from reliance on a model that does not adequately represent that which is being modeled, or the risk of misuse or misinterpretation."

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

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

B. Importance of a Model Governance Framework

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

1. Many companies will be using the GOES scenarios, and they may have a material financial impact.

2. The framework will implement and provide documentation of controls designed to prevent or mitigate human error.

3. The transparency of the framework should aid in understanding any model limitations, so that conclusions drawn from model results are properly informed.

4. The framework should ensure that models meet their intended purpose. ASOP No. 56 defines **Intended Purpose** as "The goal or question, whether generalized or specific, addressed by the model within the context of the

assignment." Section 3.1.2 of the ASOP states that "When selecting, reviewing, or evaluating the model, the actuary should confirm that, in the actuary's professional judgment, the model reasonably meets the intended purpose."

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

5. The framework should improve efficiency, avoiding re-work and confusion regarding expectations. Documented processes and procedures will enable model developers and reviewers to implement changes more quickly.

6. There is a possibility that unexpected issues will occur, despite best efforts. The framework provides a process for identification, escalation, and resolution of issues if they arise.

C. Components of the GOES Model Governance Framework

Components of the Model Governance Framework include:

1. Roles and Responsibilities
   The roles and responsibilities of all stakeholders involved in the implementation and maintenance of the model are documented (see Sections II and III). Parties are designated to act as Model User, model developer, model owner, and model steward. In addition, there is a model governance oversight function. The roles and responsibilities include separation of duties where appropriate. One of the key aspects of a successful governance function is that it is independent.

2. Signoff Protocols
   Model controls and other items requiring signoffs are identified (see Section II.B), along with the parties responsible.

3. Risk-Ranked Model Inventory
   All models are catalogued and ranked according to their risk (see Section IV). This is intended to ensure the time and effort required for compliance with governance standards is consistent with each model's risk level. Generally, the most robust validation procedures will apply to the riskiest models, while less rigorous methods (e.g. peer review) may apply to those that have less risk.

4. Model Selection and Validation Processes
   Section V includes criteria for model selection along with details on the model validation process and independent review.

5. Scheduled and Off-Cycle Model Updates
   Section VI provides details on routine, scheduled monthly and annual updates, as well as off-cycle model updates.

6. Process for Handling Model Findings
   Section VII provides a process for identification, escalation, and resolution of issues if they arise.

7. Change Management Process
   The change management process includes procedures to ensure that model change requests are documented, communicated, prioritized, formally approved, and implemented in a controlled manner (see Section VIII).

8. Documentation
   Various forms of documentation are required throughout the governance process (see Section IX).

9. Access Controls
   To avoid the possibility of unauthorized changes, write access to models and model governance spreadsheets (e.g. model inventory file) is granted only to individuals requiring access. Section X provides details on the level of access granted to stakeholders (i.e. Read, Write, or No Access).

II. Governance Roles and Sign-off Protocols

A. Governance Roles

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

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

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

	NAIC staff supports the GOES (E/A) Subgroup as noted throughout this document (e.g. reviewing controls, independently producing and reviewing monthly scenario statistics, maintaining the model inventory and other spreadsheet governance tools, etc.).
Model Oversight Group: GOES (E/A) Subgroup and NAIC Committee Structure	The GOES (E/A) Subgroup has oversight responsibilities and reports to other groups in the NAIC Committee Structure that provide further oversight as described in Section III.A.
Model User: US Insurance Organizations, State Insurance Regulators	Model Users report issues to GOES (E/A) Subgroup and request enhancements. When changes are made to the GOES (e.g. 5-year review and recalibration), Model Users volunteer for field testing/User Acceptance Testing.

B. Sign-Off Protocols

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

Party	**Sign-Off Responsibilities**
Conning	Reviews and signs off on: 1. Model access controls, ensuring that only individuals authorized to work on the models have access. 2. Inclusion controls, ensuring that data inputs to the model are complete and have been updated as required. 3. Change management controls for all model updates, with appropriate separation of duties (i.e. signoff from development team to advance the model from the development environment to the testing environment; signoff from the testing team that testing was completed and reviewed; and signoff that the tested model was moved successfully to the production environment). 4. Model validations. 5. Attestation document will be provided to NAIC staff that the above controls were performed, along with any findings. The attestation document will include initials beside each control to indicate signoff. See Section VII for details on how findings will be handled.
NAIC Staff	NAIC staff produces scenario statistics independently (including acceptance criteria), reviews, and provides sign off via email to Conning that scenarios are acceptable and ready to be posted to the Conning website for use by Model Users. Documentation of

	the NAIC produced statistics and how they are calculated is available at [link TBD]. NAIC staff will also check that the intended scenarios were correctly posted on Conning's website. The NAIC's scenario review workpapers will be ~~provided~~stored for no fewer than five years.
GOES (E/A) Subgroup	Reviews and signs off on: 1. All material non-routine updates to the model, such as model recalibrations. 2. Any changes to acceptance criteria. 3. Any changes to the GOES Model Governance Framework. Ahead of changes to any of the three items above, public exposure of changes will occur followed by adoptions in a public meeting. Communications of changes will occur through the GOES (E/A) Subgroup distribution list.
NAIC Committee Structure	Reviews and adopts *Valuation Manual* amendments and changes to RBC instructions.

C. Fallback Plan

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

1. Quarter-End and Year-End Scenario Files
    a. Quarterly and Year-end scenario files have greater importance to insurance company financial reporting. Therefore, more robust fallback procedures will apply to the posting of these quarter-end and year-end files.
    b. For month-end scenario files that do not fall on a quarter- or year-end, any delays to the posting of scenario files will be communicated along with an expected timeframe for resolution.
2. Communication of Scenario File Posting Disruption
    a. The distribution list for the GOES (E/A) Subgroup will be utilized to communicate disruptions in the posting of scenario files.
    b. All members, interested regulators, and interested parties will receive notice of the disruption.
3. Mitigation Plans by Category of Disruption

Category	Description	Mitigation Plan
Minor Validation Error – Caught Prior to Posting	This situation would occur when an issue was found during the validation process by either Conning or the NAIC and the issue could be addressed such	NAIC Staff would communicate the issue as soon as it is discovered on the first business day following the month-end,

	that scenarios could be posted by the second business day following the previous month-end.	along with a timeframe for when scenarios are expected to be posted.
Major Validation Error – Caught Prior to Posting	This situation would occur when an issue was found during the validation process by either Conning or the NAIC that is unable to be addressed such that scenarios can be posted by the second business day following month-end.	NAIC Staff would communicate the issue as soon as it is discovered on the first business day following the month-end. Companies would be instructed to utilize prior month-end scenarios with adjustments as necessary for the current month's valuation. Model governance enhancements to avoid the issue would be developed, adopted by LATF and the LRBC WG, and implemented following the issue.
Minor Scenario Error – Caught after Posting	This issue could occur when a user of the scenarios discovers an error with the scenario set after they have been posted to the scenario website that is expected to have an immaterial impact on company valuations.	NAIC Staff would communicate the issue as soon as it is discovered. Model governance enhancements to avoid the issue would be developed, adopted by LATF and the LRBC WG, and implemented following the issue.
Major Scenario Error – Caught after Posting	This issue could occur when a user of the scenarios discovers an error with the scenario set after they have been posted to the scenario website that is expected to have a material impact to company valuations.	NAIC Staff would communicate the issue as soon as it is discovered. A meeting of the GOES (E/A) Subgroup would be scheduled to fully disclose the issue and discuss potential remedies. If the scenario set fell on a quarter- or year-end, additional guidance may be given by regulators to address the handling of the error (e.g. guidance to estimate a top-side adjustment to reserves, utilize a scenario set from a previous month). Model governance enhancements to avoid the issue would be developed, adopted by LATF and the LRBC WG, and implemented following the issue.
Conning Scenario Website Down	The website https://naic.conning.com/scenariofiles is down and companies are unable to download scenario files.	NAIC Staff would communicate the issue as soon as it is discovered. Scenario files could be posted to the GOES Sharepoint site as an alternative for companies to download.
Conning unable to generate scenario files	Conning is unable to generate scenario files due to and issue such as cloud outage or other business continuity event.	NAIC Staff would communicate the issue as soon as it is discovered, and a revised timeline for posting scenarios could be provided. The GEMS® software would be used by NAIC Staff to generate the scenarios.

III. Stakeholder Responsibilities

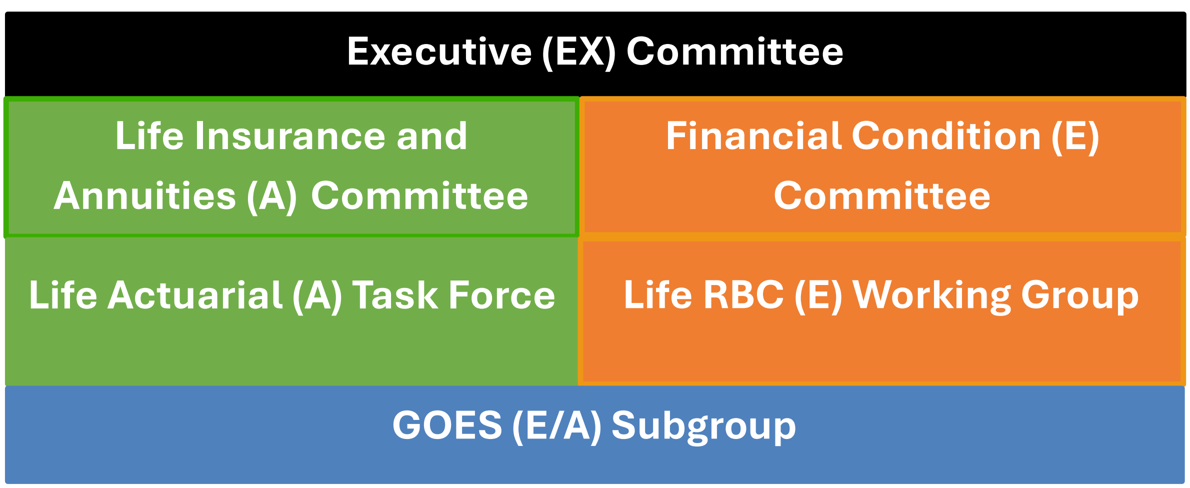
A number of stakeholders are involved in the implementation and maintenance of the model. Specific responsibilities are described in this Section.

A. NAIC Committee Structure

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

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

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



B. GOES (E/A) Subgroup

The GOES (E/A) Subgroup will own the GOES Model Governance Framework and be responsible for the approval of all updates to the Framework. As the Model Steward, ~~t~~the Subgroup will direct NAIC Staff as necessary to effectuate aspects of the Framework. The Subgroup will organize public calls where technical issues can be discussed and feedback can be received from Subgroup members, interested regulators and interested parties. All regulator-only sessions will follow the NAIC's Policy Statement on Open meetings.

The Subgroup has the following 2026 Charges:

1. Monitor that the economic scenario governance framework is being appropriately followed by all relevant stakeholders involved in scenario delivery.

2. Review material economic scenario generator updates, either driven by periodic model maintenance or changes to the economic environment and provide recommendations.

3. Regularly review key economic conditions and metrics to evaluate the need for off-cycle or significant economic scenario generator updates and maintain a public timeline for economic scenario generator updates.

4. Support the implementation of an economic scenario generator for use in statutory reserve and capital calculations.

5. Develop and maintain acceptance criteria that reflect history as well as plausibly more extreme scenarios.

C. NAIC Staff

NAIC staff responsibilities are as follows:

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

2. Bring any governance issues to the GOES (E/A) Subgroup for consideration.

3. Monitor the effectiveness of Conning's controls and validation procedures and recommend changes to the GOES (E/A) Subgroup as necessary.

4. Develop and maintain a process to efficiently produce and review scenario statistics (independent from Conning) for each monthly scenario release to evaluate whether scenarios are acceptable before providing them to Model Users.

D. GOES Vendor (Conning)

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

1. Customization of the Models

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

2. Maintenance of Conning Scenario Website

   The NAIC website will contain a link to the Basic Data Set, validation reports, statistics, related tools, documentation, and training materials located on Conning's website. Access will be provided for Model Users regardless of whether they have licensed Conning's software. Model Users means users of the scenarios, including NAIC staff, state regulators, insurance companies, third-party consultants retained by state regulators and insurance companies, and any other person who makes use of the scenarios.

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

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

   Companies have stressed the importance of meeting this deadline so that valuation work will not be delayed. Conning and NAIC staff will collaborate on creating efficiencies to prepare for this. The process of producing and reviewing all monthly deliverables, including execution of controls, will be tested and practiced before the GOES scenarios are adopted and become effective, with monthly scenario releases planned to begin 10/1/25 .

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

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

10,000 scenario sets will be posted alongside the scenario selection tool and scenario picking data to allow Model Users to produce subsets. As background, Conning developed an Excel-based tool to create scenario subsets. The tool can select scenarios based on the same methodology used in the AIRG (i.e. based on a significance measure calculated from the 20-year UST) or a gross wealth factor (GWF) based on the Large Cap (S&P 500) equity fund. However, other methodologies to select scenarios may be more appropriate for companies exposed to other risks. For example, a writer of VA products may be more exposed to equity risk. The VM allows companies to use alternative scenario selection methodologies if they meet certain requirements (e.g. documentation that reserves and TAR are not materially understated) or biased downward.

Conning can calculate the UST significance measure and the Large Cap gross wealth factors by scenario and provide that information with each scenario set to use as inputs for the tool.

In the event a scenario set is deemed unacceptable, NAIC staff and Conning will work together to resolve the matter and provide timely communications to stakeholders according to the Fallback Plan documented in section II.C.

4. Parameter Updates

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

5. Documentation

   Conning will provide documentation as described in Section IX.

6. Training Materials

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

7. User Support
   Conning will provide help desk support to Model Users of the NAIC Economic Scenario Files who have not licensed the software. This will include phone support as well as e-mail at **naicscenarios@conning.com** to allow the NAIC, state regulators and other Model Users to submit questions.

8. Field Testing

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

9. Additional Information to be Provided Annually

   Conning will provide the following information annually:

   a. Back-testing report comparing the NAIC Economic Scenario Files projected results to what actually happened over the previous year.

   b. Summary information of the number and types of questions submitted to Conning via the support e-mail address, and steps taken to address these concerns (e.g., additional documentation created).

E. Subject Matter Experts and Interested Parties

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

Activities may include but are not limited to:

1. Bringing any model or governance issues to the GOES (E/A) Subgroup for consideration.

2. Reporting any issues with scenario delivery and user support to the GOES (E/A) Subgroup and NAIC Staff.

3. Reviewing results of planned model updates (see Section VI.A – VI.C) and providing independent feedback in public sessions of the GOES (E/A) Subgroup.

4. Recommending off-cycle model recalibrations where necessary (see Section VI.D), reviewing the results, and providing independent feedback in public sessions of the GOES (E/A) Subgroup.

IV. Models Subject to the GOES Model Governance Framework

A. Model Definition

ASOP No. 56 defines a model as follows:

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

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

B. Model Risk Rating

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

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

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

C. Model Inventory File

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

1. Model ID number

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

The Model Inventory File will be available on the NAIC website (https://naic.conning.com/documentation ~~location TBD~~). A sample file will be provided in Appendix B. The file will include the following models:

- Models producing the Basic Data Set (Treasury, Equity, and Corporate Bond models)
- SERT tool
- Scenario selection tool
- Conning scenario statistics tool
- NAIC scenario statistics tool

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

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

V. Model Selection and Validation Process

A. Process and Criteria for Model Selection

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

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

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

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

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

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

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

B. Model Validation

Conning and NAIC Staff will perform validation procedures on all models used to produce output used in company on a monthly basis to ensure that model output is accurate. Any findings that arise from the model validation process will be handled as described in Section VII.

Key components of model validation include:

1. Input Validation
   Input validation may include a review of source data, review of the initial treasury curve fit, assumption benchmarking, month-to-month model parameter comparisons, and spot checking.

2. Calculation Validation
   Validation of calculations may include an independent full model replication, independent sample calculations, process approximation, formula inspection,

testing of interim calculations, and testing of results. In addition to the Model Developer's calculation validation, the Model Owner will perform user acceptance testing for any software modifications required to implement the NAIC model.

3. Output Validation
   Output will be validated based on reports produced monthly along with the scenario sets (see Appendix A for sample reports). NAIC Staff will produce a "dashboard" included with the scenario statistics to compare the acceptance criteria and stylized facts, where relevant to monthly validation, to summarized scenario output. Thresholds and modifications to acceptance criteria for alternative starting environments will be considered as a "Day II" item after the initial implementation of the GOES.

   When the GOES is recalibrated (e.g. resulting from five-year recalibration), scenario sets under multiple, varied, starting environments will be produced. The resulting statistical packages will be created and shared publicly ahead of approval of the new calibration.

4. An evaluation of the effectiveness of model testing procedures

5. Validation of controls and procedures
   A detailed form including checklists and names of owners and reviewers for each key step will be used to ensure compliance with the sign-off responsibilities documented in Section II A.

VI. Model Updates and Review

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

A. Monthly Model Updates

The Treasury model will be updated monthly to reflect starting conditions. This is documented in the interest rate model technical documentation (~~[~~https://naic.conning.com/documentation ~~GOES Model Documentation Placeholder)]~~. Initial values for equity indices, equity volatilities, and corporate spreads will also be updated monthly.

B. Annual Model Review and Update (If Necessary)

At the beginning of each year, Conning and NAIC Staff will undertake an annual review of the GOES and provide a back-testing report comparing the projected results to the actual previous year's data. Model findings that occurred over the past year would be included in the review along with an associated recommendation. Conning and NAIC Staff will make a recommendation as to whether the model parameters should be revised or left unchanged. The back-testing report, along with the recommendation, will be posted on the NAIC/Conning scenario website in the first quarter of the year and provided to GOES (E/A) Subgroup leadership. If there is a recommendation to change the model parameters, a public discussion of the GOES (E/A) Subgroup will be called to discuss and determine a course of action. More complex changes, such as changes to the model form, are outside the scope of the annual model review.

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

To facilitate user acceptance testing, scenario sets using both the proposed and current GOES parameterization would be provided, with no fewer than 30 days granted for interested parties to provide comment. NAIC Staff will also prepare model office analyses to quantify the impact from annual model updates. All changes resulting from the annual model review would be targeted to go into effect for the June month-end.

C. 5-Year Model Recalibration

Conning will perform a periodic GOES recalibration process every five years. This will include the following steps:

1. Conning will conduct research on potential changes as requested by state regulators.

2. Conning will document and present potential changes to state regulators for exposure and adoption, and attend meetings as needed to respond to questions/comments received during the exposure period no less than 30 days. Materials to be provided for consideration of changes should include:

a. discussion on how changes were vetted for complex interactions between parameters,

b. attribution analysis showing the impact of each change,

c. model office analysis to understand the potential impact prepared by NAIC Staff, and

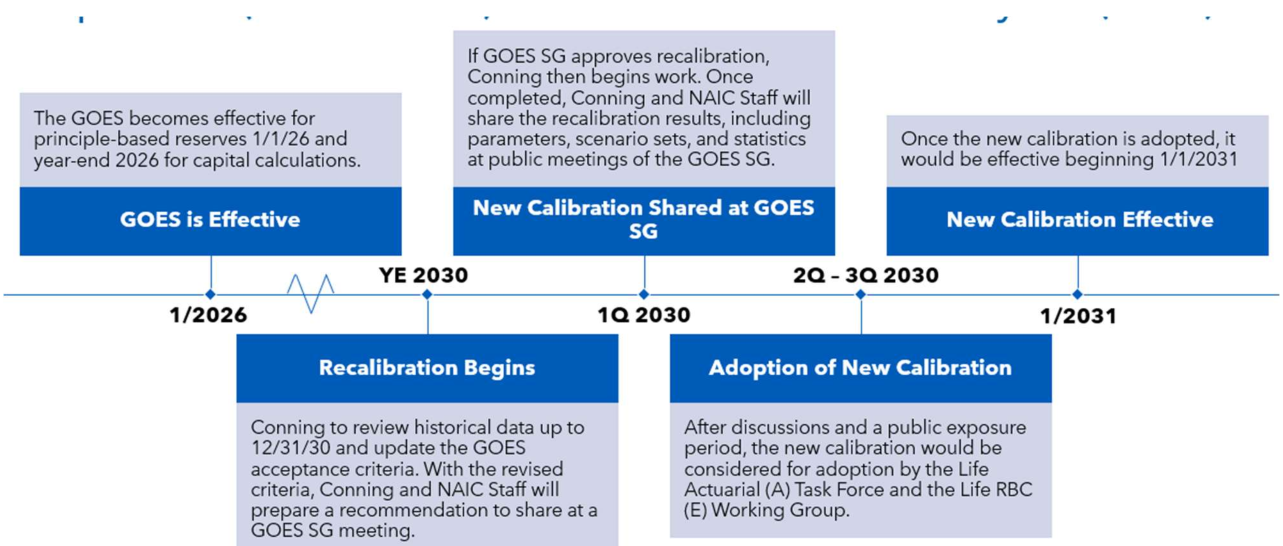
d. documentation on the above in sufficient detail to allow independent review.

3. After discussion and approval at the GOES (E/A) Subgroup, the new calibration will be considered for adoption by the Life Actuarial (A) Task Force and the Life RBC (E) Working Group prior to going into effect at the beginning of a new 5-year recalibration cycle. As part of the approval process, the GOES (E/A) Subgroup, Life RBC (E) Working Group, and Life Actuarial (A) Task Force will consider whether the model is still fit for purpose.

4. NAIC staff will modify model governance documents (Appendix B) as needed to reflect final adopted updates in a timely manner. Conning will provide evidence to the NAIC that changes were made appropriately.

5. Conning will update documentation impacted by any changes.

Exhibit 5.C: 5-Year Recalibration Cycle



D. Off-Cycle Model Updates

As noted in Section III.B, one of the charges of the GOES (E/A) Subgroup is to review key economic conditions and metrics to evaluate the need for off-cycle or significant economic scenario generator updates and maintain a public timeline for economic scenario generator updates. The process for off-cycle model updates would be similar to that of the 5-year model recalibration, with Conning performing research and preparing a recommendation followed by public discussions, exposures, and necessary approvals by the Life RBC (E) Working Group and the Life Actuarial (A) Task Force.

Items that may trigger an off-cycle update include, but are not limited to the following:

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

E. Model Update Oversight

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

F. Software Update Procedures and Controls

Conning's formalized development process incorporates current philosophy regarding quality assurance and good engineering practices. Each step of Conning's process is formalized and monitored to ensure that our functionality is efficient and error-free. Requirements are carefully outlined, and the results are reviewed to confirm that each has been addressed. Conning goes through many iterations of testing and development to ensure that software updates achieve the goals that we have set forth.

Development of new functionality is governed by a product planning process that incorporates feedback from the marketplace, commitments made to customers and prospects, and internally generated enhancement ideas. These enhancements are prioritized to determine release content and a release calendar. Fixing bugs takes priority over new development when allocating resources.

All bug reports and enhancement requests are managed using software project management and service desk tools, regardless of whether the requests are coming from customers, prospects, internal software testing, or the product planning process. The tools support issue tracking and agile project management, helping Conning plan, track, and manage their work efficiently. Source code is managed using a distributed version-control system for tracking changes during software development. Source code management tools facilitate tracking the sources and reasons for all code changes, allows reconstruction of any code branch at any point in time, facilitates merging of code changes from one code branch to another, and generally enhances the ability of multiple developers to simultaneously work on one code branch. Git is also linked into Conning's automated test system.

G. Software Enhancement Validation Procedures

Conning uses a combination of automated and manual testing to maintain code quality. Conning uses two separate automated testing systems. The first is a custom-built test platform which controls a set of dedicated machines (currently 25 in the pool) and uses them to run a series of automated tests on daily and weekly test cycles. Each automated test installs an up-to-date copy of our software from our revision control system and then runs a series of end-user test cases. The test cases use automated end-user interaction with the software user interface. Over 70 model input definition files are available for use in the automated test process, and these collectively test many different combinations of modules, model choices, parameter values, etc. Conning does not use client data for testing without permission.

Some of the automated testing involves running simulations in previously released versions of the software, then re-running the same simulation (using the same definition file) in a release-candidate version or a development version and then finally testing to see that the results are identical, ensuring backward compatibility and reproducibility. Other test cases exercise Definition Editor functionality via record-playback, while yet others test grid functionality. Some test cases run performance benchmarks to guard against the accidental introduction of performance bottlenecks. In addition to the automated testing, major releases go through extensive manual testing of the new functionality (for which automated tests may not yet have been created). Quantitative release criteria related to defect discovery must be met before the release is considered ready to ship.

The second test system is based on a DevOps platform that provides a comprehensive set of tools for testing, building, and deploying our software. The

DevOps platform performs web-based tests and unit tests comprising a suite of 800 (and growing) web-based tests and over half a million-unit tests split into over 50 categories.

Conning maintains a repository of all previous versions of the software. Additionally, Conning software is designed to be backwards-compatible, so users can always reproduce results generated in prior versions using their currently installed version. Furthermore, Conning has secure primary and backup data centers where files and data are replicated daily.

VII. Process for Handling Model Findings

While every effort will be made to avoid errors in model calculations, inputs, and methodologies, it is possible that issues will be identified. "Model findings" refer to any issues discovered during model governance procedures or identified by a Model User or other stakeholder that have a financial impact for users of the model output. Model findings may be identified by any model stakeholder. Model Findings that occur during the monthly scenario generation and validation process have additional treatment detailed in section 2.C "Fallback Plan".

A. Tracking and Communication of Model Findings

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

B. Risk Classification

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

1. Error vs. Refinement

   Errors are model findings where the scenario results deviate from the intended or expected results due to inappropriate inputs, software coding, or other factors. Refinements are model findings that involve a known model limitation, simplification, or desire to capture an emerging best practice. Errors should be communicated and addressed as soon as possible, and a review of controls should be performed to identify the root cause of the error and mitigate for future scenario releases.

2. Materiality

   Materiality will be driven based on the potential dollar and/or percentage impact on reserves, surplus, and risk-based capital. This will also include an assessment of whether it will impact a broad segment of the industry or a relatively small number of companies. An immaterial finding would be one that does not currently have a material financial impact and is expected to only decrease in materiality over time. Other factors influencing the consideration of materiality could include reputational impact and operational efficiency.

3. Complexity and Resources Required to Address

The model findings inventory will provide insight on how resource intensive and complex a given finding will be to address.

C. Remediating Findings

Material findings can be considered remediated if:

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

D. Model Findings Inventory

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

1. Finding ID
2. Finding Status (Open, Deferred, Closed)
3. Date finding was identified
4. Finding type (Error, Simplification, Data Limitation, Model Limitation)
5. Risk classification (Material Complex Finding, Material Simple Finding, Immaterial Finding)
6. Detailed description of the finding
7. Model ID
8. Model name
9. How the finding was identified
10. Estimated impact of finding
11. Determination of why the finding occurred
12. Necessary changes to requirements because of the finding
13. Description of model change implemented to remove the finding
14. Date finding was last reviewed

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

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

E. Emergency Model Findings and Expedited Process

Material errors discovered in the GOES scenarios could necessitate the need to be classified as an "Emergency Model Finding" and undergo an expedited process for remediation. Under this situation communication and quick public discussion of an issue would be important to determining rapid corrective action. If necessary, membership of the Life Actuarial (A) Task Force could consider a "Waiver of Task Force Procedure" under the Valuation Manual Section 1.A.4.

F. Incident Documentation and Remediation (Postmortem Reports)

After an incident of model error or operational error, the model owner will write a report documenting the incident, the resolution, the root causes, and follow-up actions taken to prevent it from happening again (i.e. "Postmortem"). Postmortems should include specifics about the effectiveness of controls and any changes to controls. The report will be available to all interested parties.

VIII. Model Change Management

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

A. Model Change Categories

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

Model change category	Definitions	Level of governance
Routine change	Scheduled updates, e.g. to update monthly starting conditions	Full governance, except that model change requests and tracking are not required

Model enhancement	Implementation of new methodology, incorporation of updates to existing requirements (e.g., VM-20 or VM-21 updates), etc.	Full governance
Model correction	Remediation of model issues identified through model validation, result analysis, external feedback, etc.	Full governance
Cosmetic updates	Updates to model coding or structure which do not impact model outputs	See "Software Enhancement Validation Procedures"

"Full Governance" means that the governance process will include:

- Tracking of the issue in the model change log
- Development of a recommendation for an enhancement by Conning and NAIC Staff
- A public exposure period of no shorter than 30 days prior to public discussion and consideration of adoption.
- Validation and demonstrations to confirm the validity of the model change.
- Updates to documentation, as necessary.

B. Model Change Requests and Tracking

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

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

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

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

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

Only NAIC staff will be given access to edit the Model Change Request Inventory. Other model stakeholders will have Read access to the file. The Model Change Request Inventory will be available on the NAIC website (https://naic.conning.com/documentation ~~location TBD~~).

C. Handling of Material Model Changes

There may be events that warrant significant changes to the GOES models, assumptions, and calibrations. In these situations, the GOES (E/A) Subgroup may consider the use of model office testing and/or field testing to analyze the impacts prior to implementation. This is not expected to be necessary for routine model updates.

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

D. Modeling Environments

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

All model changes occur in the development environment. Models are copied from the production environment into the development environment, where full editing access is available. Using this version of the model, developers make the necessary changes, conduct testing and complete the required change documentation to meet all governance requirements.

After changes are implemented, the model is copied to a distinct testing environment. Specific testing procedures are performed at the discretion of the model developer and model owner. The adequacy of testing will be reviewed by NAIC staff as directed by the GOES (E/A) Subgroup.

Once model development and testing are complete and full governance procedures have been followed to confirm and approve changes, models are promoted back to the production environment. In the production environment, only read access permissions are granted to the model developers to prevent any unintended changes to the production models. It is important to link a detailed description of the model changes to the newly promoted model to ensure clear version control.

E. Model Change Documentation Template

The Model Change Documentation Template (see Appendix B) will be used to ensure that changes are documented and made in a controlled manner.

The model developer is responsible for completing the template for each model change. The template contains the following information:

- Technical details of the changes made in the model
- Summary of the impact of changes on model outputs
- Summary of model testing results
- Model User acceptance testing and validation sign-off
- Any findings identified during the model change process

Only Conning and NAIC staff will be given access to edit the Model Change Documentation Template. Other model stakeholders will have Read access to the file. The Model Change Documentation Template will be available on the NAIC website (https://naic.conning.com/documentation ~~location TBD~~).

F. Model Documentation Updates

Model documentation must be updated to reflect changes made to existing models. Documentation updates are made by the model developer and reviewed by the model owner. The model steward is responsible for confirming documentation updates are made promptly.

G. NAIC Analysis and Review Tools

To facilitate their review of the GOES scenarios, the NAIC maintains the following tools:

- SAS Scenario Statistics Program
- Excel Scenario Statistics Workbook
- Excel Scenario Picking Data Independent Recalculation Tools
- SERT Scenario Review Tool
- GOES Review and Signoff Template

Enhancements and fixes to these tools will be managed via change logs. All changes will be peer reviewed to check for accuracy and documented in the change log. The change logs will be maintained for auditing purposes and available upon request from an interested party.

H. Maintenance of the Governance Framework

The GOES Model Governance Framework will be exposed for no fewer than 30 days for routine comments and revisions at least annually during the second quarter. The requirement for routine annual exposures does not preclude the ability to hold off-cycle exposures and revisions. Each new version of the GOES Model Governance Framework that is adopted will be labeled with a version number. Versions will be made available on the same website as scenarios. Changes to the GOES Model Governance Framework go into effect immediately once adopted by the Life Actuarial (A) Task Force and the Life RBC (E) Working Group.

IX. Documentation Requirements

Conning will provide documentation on non-proprietary specifications and components of the GEMS Scenario Files used to develop the Basic Data Set and other models listed in the Model Inventory File. Access to this documentation is available to all Model Users. Documentation will be stored on Conning's website. The NAIC's website contains a link to Conning's website which is available to all Model Users.

Conning's Software Documentation Library contains more detailed documentation. It is available to Model Users who:

- Sign Conning's Nondisclosure Agreement, or
- Consultants engaged by a Model User that have signed a Nondisclosure Agreement, or
- Choose to purchase the Robust Data Set, or
- Choose to license Conning's API Tool, or
- Choose to license Conning's software

Additional documentation will be included in the model governance spreadsheets (e.g. model inventory file, model change documentation template, etc.).

X. Access Controls

Access controls are important to prevent unauthorized changes (whether inadvertent or otherwise). The table below summarizes the access granted to models and supporting documents.

	Access Level Granted		
Model or Document	**Conning**	**NAIC Staff**	**Other Parties**
Conning models listed in the Model Inventory File	Read/Write Dan Finn	None	None

	Other Conning staff trained on NAIC model requirements Read Only Other Conning staff trained on NAIC model review requirements		
NAIC Software and Programs Used to Create Model Statistics (for purposes of validating Conning's metrics periodically and after any recalibrations)	None	Read/Write Brian Shade McKayla Doyle Jim Stinson Read Only Scott O'Neal	None
Model Inventory File	Read Only	Read/Write Scott O'Neal Amy Fitzpatrick	Read Only
Model Change Request Form	Read/Write	Read/Write	Read/Write
Model Change Request Inventory	Read Only	Read/Write	Read Only
Model Findings Inventory	Read Only	Read/Write	Read Only
Model Change Documentation	Read/Write	Read/Write	Read Only

XI. Appendices

A. Sample Monthly Model Validation Reports and Statistics

Basic Data Set Validation Reports and Basic Data Set Additional Statistics files are available at https://naic.conning.com/scenariofiles.

B. Supporting Documents

~~This section will contain links to supporting model governance documents.~~

Document	**Link**

Stylized Facts	https://naic.conning.com/documentation
Acceptance Criteria	https://naic.conning.com/documentation
Model Inventory File	https://naic.conning.com/documentation
Model Findings Inventory	https://naic.conning.com/documentation
Model Change Request Template	https://naic.conning.com/documentation
Model Change Request Inventory	https://naic.conning.com/documentation
Model Change Documentation Template	https://naic.conning.com/documentation

C. Version History

Version Number	Version Date	Description of Document Update	Author
01	9/23/2024	Preliminary draft	Pat Allison, NAIC
02	10/29/25	Second Exposure Draft	Scott O'Neal, NAIC
03	12/7/25	LATF Fall National Meeting	Scott O'Neal, NAIC

D. Reference Documents

The following documents were used as references in the creation of this model governance document:

1. Materials discussed at the 5/1/24 meeting of the GOES (E/A) Subgroup

    a. "A Framework for Developing, Evaluating, and Implementing Economic Scenario Generators (ESGs) – ESG Model Governance" presented by Tony Dardis, Vice Chairperson, Economic Scenario Generator Work Group (ESGWG), American Academy of Actuaries

    b. ACLI document on model governance, presented by Brian Bayerle

    c. "GOES E/A Subgroup – Model Governance", presented by Scott O'Neal, NAIC Staff Support for the Life Actuarial (A) Task Force and the GOES E/A Subgroup

2. “Model Governance Checklist”, published August 2016 American Academy of Actuaries

3. “Model Governance Practice Note”, published April 2017 American Academy of Actuaries

4. “Actuarial Standard of Practice No. 56 Modeling”, December 2019

5. Professional Services Agreement Between Conning, Inc. and the National Association of Insurance Commissioners, Effective September 30, 2020

6. Comments on model governance from GOES field test participants

Hear Comments on the GOES Model Governance Framework

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Agenda

1. Discuss Comments on GOES Model Governance Framework
2. Next Steps
   a) Model Governance Framework
   b) Software Update

ACLI Comment #1

Recommendation: Add “overview” and “key metrics” sections to the framework.

Purpose: These additions would help create more consistent expectations for GOES.

- The overview would clarify objectives for GOES and the strategy for achieving them.
- The key metrics would provide a way to review operational performance.

NAIC Recommendation:

Discuss the proposed sections provided by ACLI. Consider existing sections of the governance framework draft and where these would fit.

ACLI Comment #2

Update TBD link to model inventory file and post. Section IV.C, Model Inventory File, indicates that the location of the inventory file is TBD, and it does not appear to be available on the Documentation tab of the website where scenario data is hosted.

NAIC Recommendation:

- Finalize and upload model inventory to NAIC Conning Documents page

ACLI Comment #3

Issue: Retention requirements

Since companies use historical scenario files for calibration and auditing, we suggest retaining published GOES scenario files indefinitely and adding the following two sentences to section 3.D.2:

"Any published GOES scenarios or tools, including test files, will remain publicly available until further notice. Before removing access to any published files, the GOES (E/A) Subgroup will have a public notice and exposure."

NAIC Recommendation:

Implement process and add the proposed sentences to the framework draft as indicated. Need to discuss retention of erroneous files.

ACLI Comment #4

For audit purposes, include the valuation date, the date posted, the software version number used to produce the scenarios, the current version number for the model governance framework, and the file version number with all files. A list of file hashes would also be helpful. Replacing updated files in-place can be challenging for companies' model governance and audit functions. This happened in February when the Additional Statistics files for December 2024 through December 2025 were updated.

NAIC Recommendation:

ACLI provided program to produce hash values for the post files to NAIC Staff. NAIC to implement a single file that will include hashes along with other data requested above. Once implemented, file will be posted with all scenario releases.

ACLI Comment #5

Provide data to support regression testing. We suggest adding the following items to the Full Governance list in section VIII.A:

- "Hashes of the most recent quarter-end scenario files before and after the change, created from the same inputs."
- "If the hashes are not the same, copies of the before and after versions of the most recent quarter-end scenario files, created from the same inputs. "

NAIC Response:

Update section VIII.A full governance list with the suggested language if Subgroup decides to implement a hashing process.

Next Steps

GOES Model Governance Framework

- NAIC Staff will make edits to GOES model governance Framework based today's discussion, followed by a chair exposure.
- Comments will be considered prior to adoption by the Life Actuarial (A) Task Force and the Life RBC (E) Working Group.

Software Update

- On May 28, a proposal to update the GOES software version was exposed with demonstrations that results did not change
- No comments were received on the software update.
- With GOES (E/A) Subgroup Chair approval, the software version will be updated and implemented starting with the August month-end scenarios.
- Finalized model change management templates will also be posted on the scenario website

Agenda Item 6

Discuss the Work of the

Experience Reporting (A) Subgroup

Update on Mortality Experience Data Collections

August 10, 2026

Angela McNabb, ASA, MAAA

AUGUST 11-14

NAIC

2026 SUMMER NATIONAL MEETING
COLUMBUS, OH

Agenda

- Recap of Previous Life Mortality Experience Data Collections
- 2026 Life Mortality Experience Data Collection
- Status of Group Annuity Mortality Experience Data Collection

Recap of Previous Life Mortality Experience Data Collections

- The NAIC provided aggregated data files to the SOA for observation years 2020 through 2023 in February of this year.
- The data has gone through an extensive review process. A report is expected to be published by the Society of Actuaries in the near future.
- NAIC staff is currently working with companies to complete data submissions and reviews for the 2024 observation year.
- We plan to deliver an aggregated data file to the SOA by 12/31/2026.

2026 Life Mortality Experience Data Collection

- A total of 99 companies are participating in the current data collection. This is down from 102 companies last year due to mergers.
- The data collection for observation year 2025 was officially opened on June 26, 2026.
- According to VM-51, initial submissions are due 9/30/2026 and final submissions are due 2/28/2027.

Group Annuity Mortality Experience Data Collection

- Amendment Proposal Form (APF) 2024-12 was approved by LATF on April 9, 2025. This amendment mandates a group annuity mortality data collection. The amendment is expected to be adopted by Executive Committee and Plenary later this week.
- A total of 36 companies have been selected to participate in this data collection. These companies were notified in July along with their domiciliary regulators.
- NAIC staff is preparing training and additional resources to assist companies with their preparations. These will be posted to the NAIC website as they become available.
- The group annuity data collection is scheduled to begin in 2027. Initial submissions will be due 9/30/2027 and final submissions will be due 2/28/2028.

NAIC

NATIONAL ASSOCIATION OF
INSURANCE COMMISSIONERS

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Agenda Item 7

Consider Exposure of the 2026 VM-20

HMI and FMI Rates

2026 HMI and FMI VM20 Mortality Improvement Scale

Preliminary Recommendation

August 10, 2026

Life MI Subgroup of the SOA Mortality and Longevity Oversight Advisory Council

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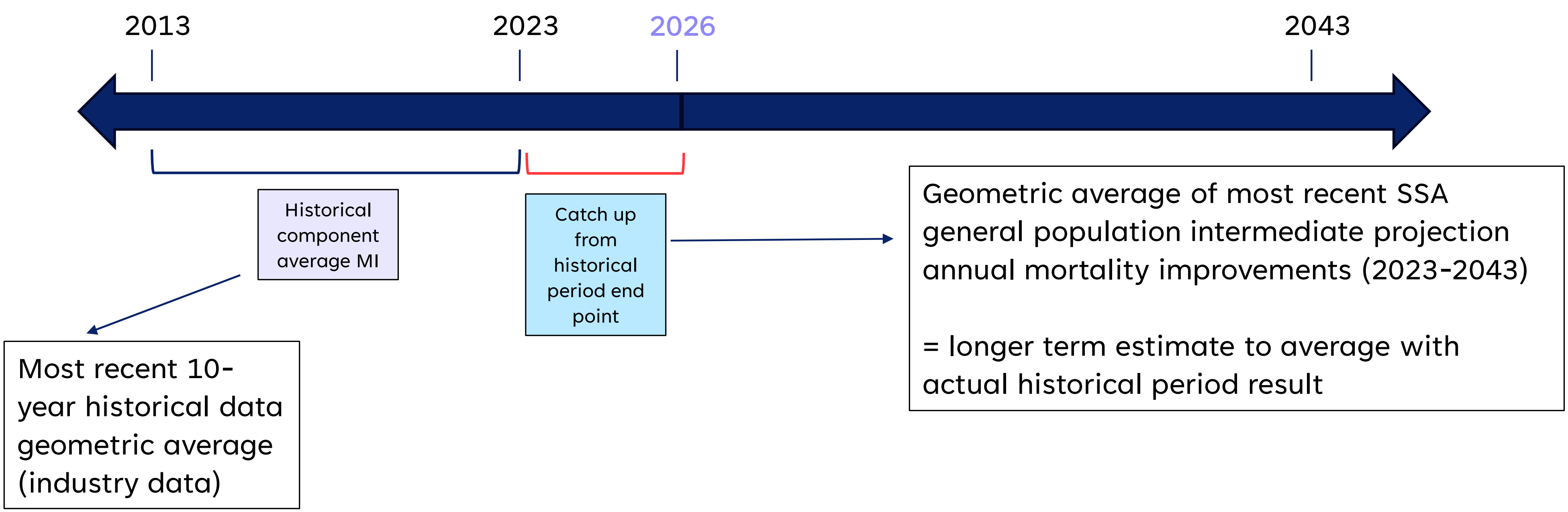
Presentation Disclaimer

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

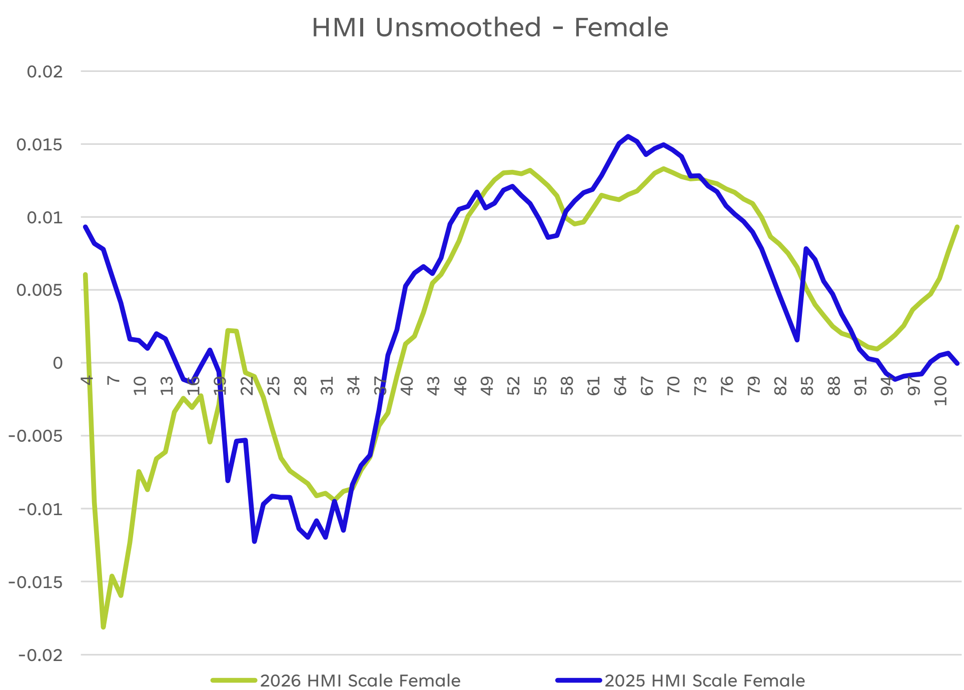
Agenda

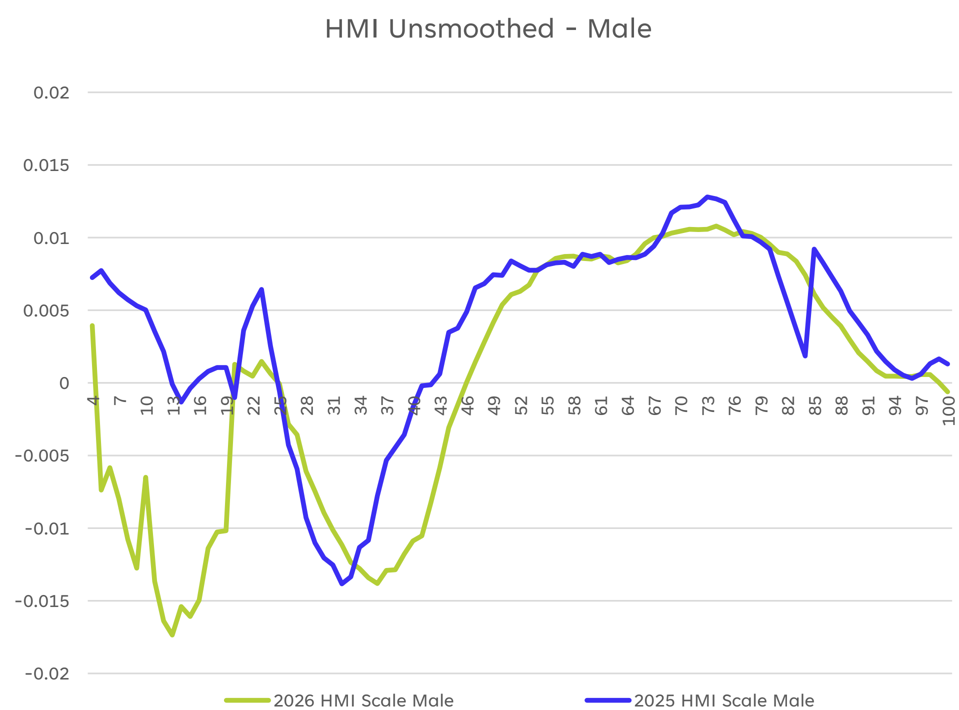
- Review Current HMI Scale Recommendation
- Review Current FMI Scale Recommendation
- Next steps

VM20 HMI Scale Methodology Valuation Year 2026



2026 HMI Recommendation – Unsmoothed Scale





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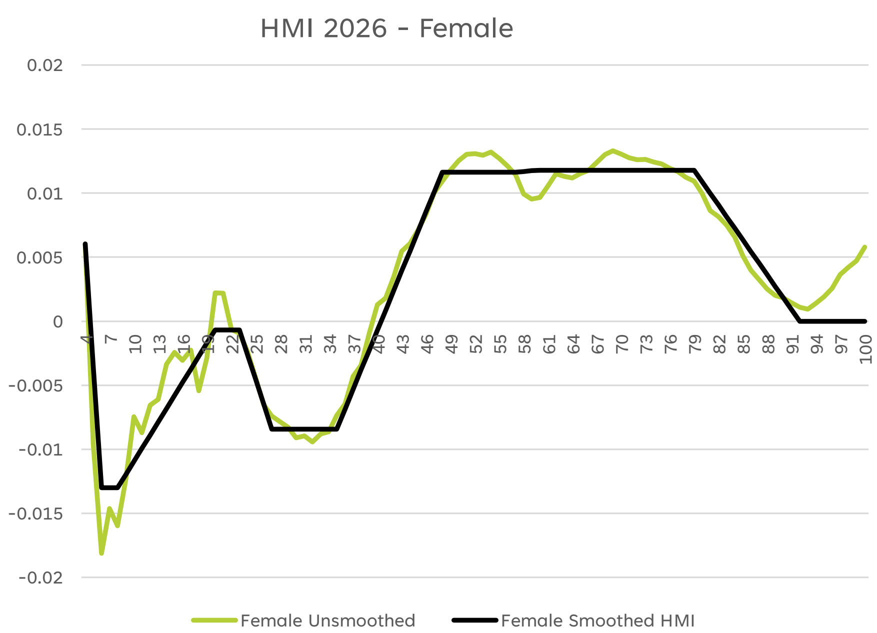
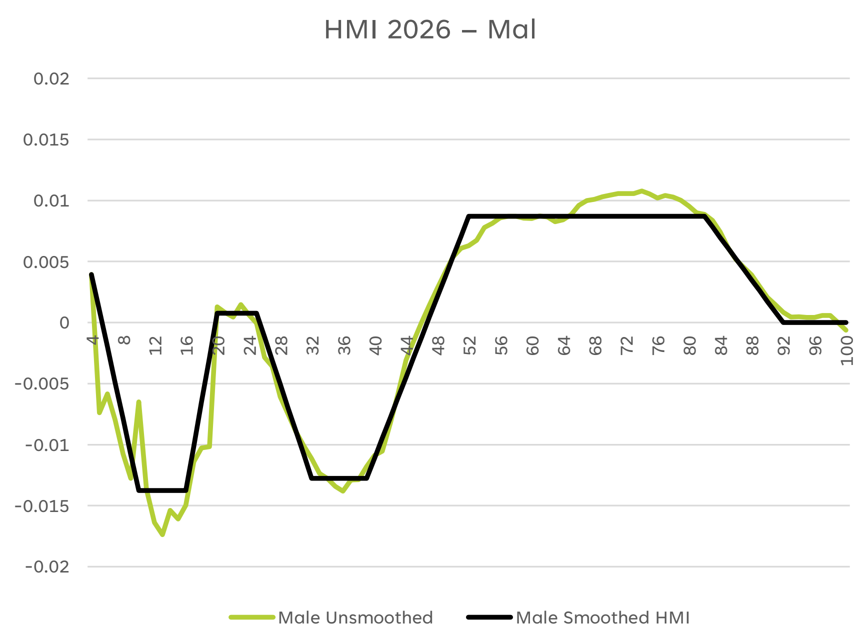
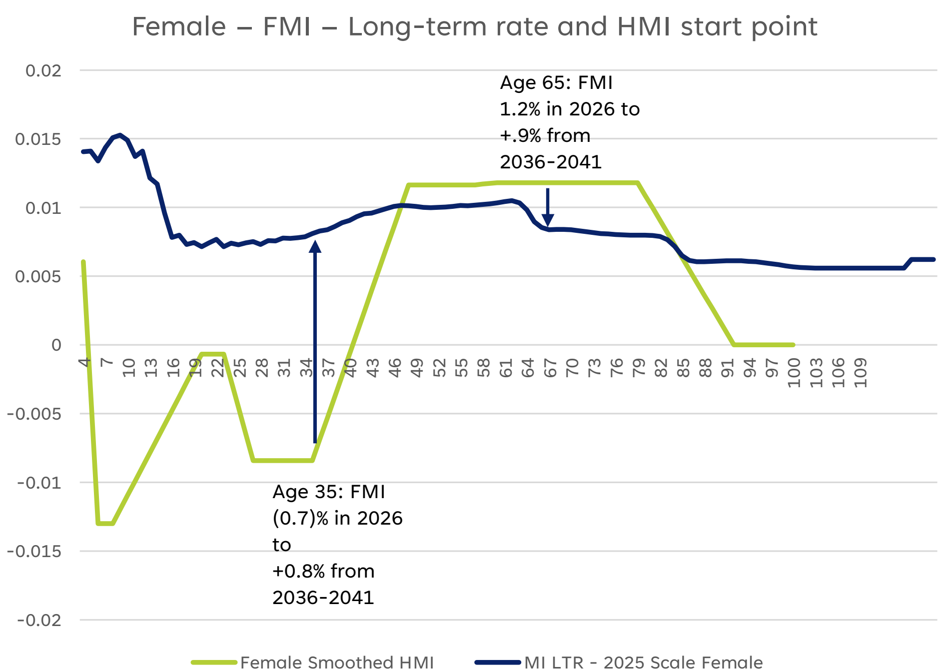
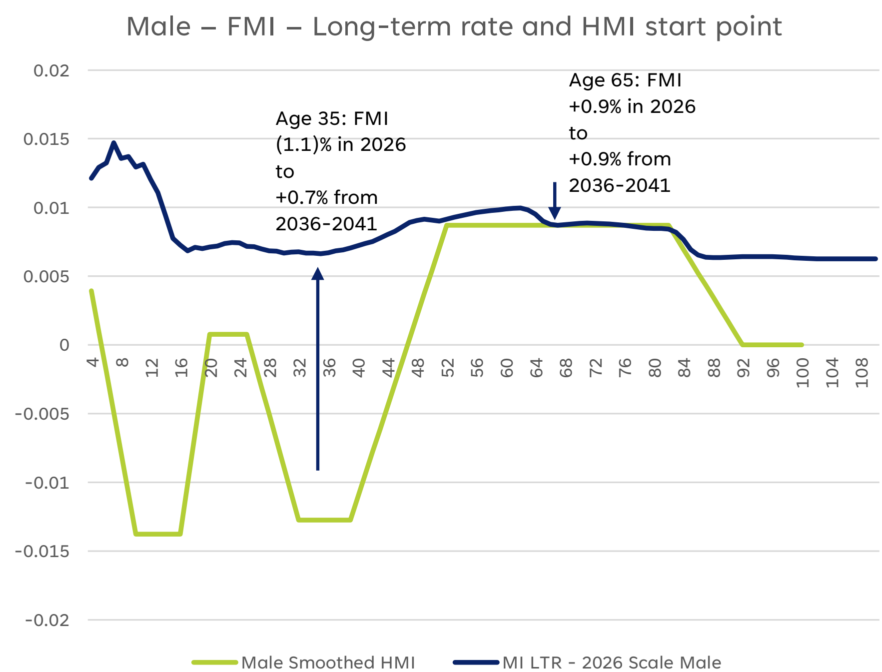
2026 HMI Recommendation – Smoothed Scale





2026 FMI Recommendation





FMI:

- Starting in 2026 at HMI Scale
- Grades to MI LTR in 2036
- Remains at MI LTR until 2041
- Then grades to FMI=0 at year 20 (2046)

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Agenda Item 8

Hear an Update on the SOA's

Development of a New VBT Table

Developments for New VBT

August 10, 2026

Valuation Basic Table Working Group

of the SOA Mortality and Longevity Oversight Advisory Council

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Presentation Disclaimer

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Agenda

- Key Decisions and developments
- Core age model development
  - Data
  - Distinct model differentiators – model granularity
  - Select period
- Policy count vs policy amount tables
- Next steps

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Key Decisions and Developments

Key Decisions from Spring 2026 Exposure

- Stick with 2018-2019 exposure years and validate with 2023, possibly 2024 data
  - Ignore COVID years
- Enable more data-driven development
  - Let the data and science drive analysis
  - Additional granularity okay
- Develop an aggregate table in addition to more granular tables
  - More consistent with existing VBT structure

Making Good Progress but Slightly Behind

April 15
Answers on table structure from LATF

We are here

August 2026
Proposed basic tables (core adult ages)
Aug 2026 LATF Meeting

End of September
Older age and blending recommendation

End of October
Proposed Juvenile tables

End of November
Recommend RR table structure and wear-off pattern

November
HMI/FMI/COVID
Unisex, Unismoke, ANB and ALB splits

December
Heuristic monotonicity checks

January 2027
Tables for model office testing
Start aggregate table

March 2027
Final table recommendation
March 2027 LATF Meeting

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This is an aggressive but achievable timeline. Working to catch up by end of year.

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New VBT Table Development Focus and Process – On step 4*

1 Go forward table focus	2 Start with most recent ILEC experience and consider adjustments	3 Juvenile and older age adjustments	4 Select vs. ultimate period
5 ANB, ALB, Unismoke, Unisex adjustments	6 RR tables (# and relativity) including preferred wear-off pattern	7 Develop table(s), perform heuristic monotonicity checks	8 Model office testing
	9 Determine if margins in CSO still sufficient	10 Valuation manual amendments, if needed	

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* Good progress on Step 3 but on hold until more progress on step 4

Core Age Model Development

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Model Structure

- Explored different model structures
  - 25 yr, 20 yr and Fully select
  - Main, 2 way and Full effects
  - Poisson
  - Issue age
  - Two-dimensional binomial GAM
    - 5/6 knots per smooth variable
    - Adjusted logistic on policy and amount weighted data

Recommended model structure

- Two-dimensional binomial GAM
- Logistic link function:
  - Allows mortality rates to approach and converge to 0.55 at infinity
  - Enables convergence in a smooth, expected manner
  - Reflects implicit prior assumptions on later life mortality
- Improves explainability

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Data Summary – Focus on Core Age Table

- Issue ages: 26 – 89
  - Projected to 99
- Durations 1 – 20
  - Projected to 21
  - Also examined durations 1 – 25, projecting to duration 26
- Attained ages: <99
- NS/SM
- M/F
- Plan, UW, Amount groups

Data not reflected in initial core table

- Issue ages 18 – 25
  - Due to suspected child rider conversions
- Issue ages 70+
  - For issue years 2005 – 2008 and
  - With face amounts ≥ $1 million
- Unknown smoker status
  - Irrational heterogenous behavior
  - Current and future materiality*
- Post level term, Age basis

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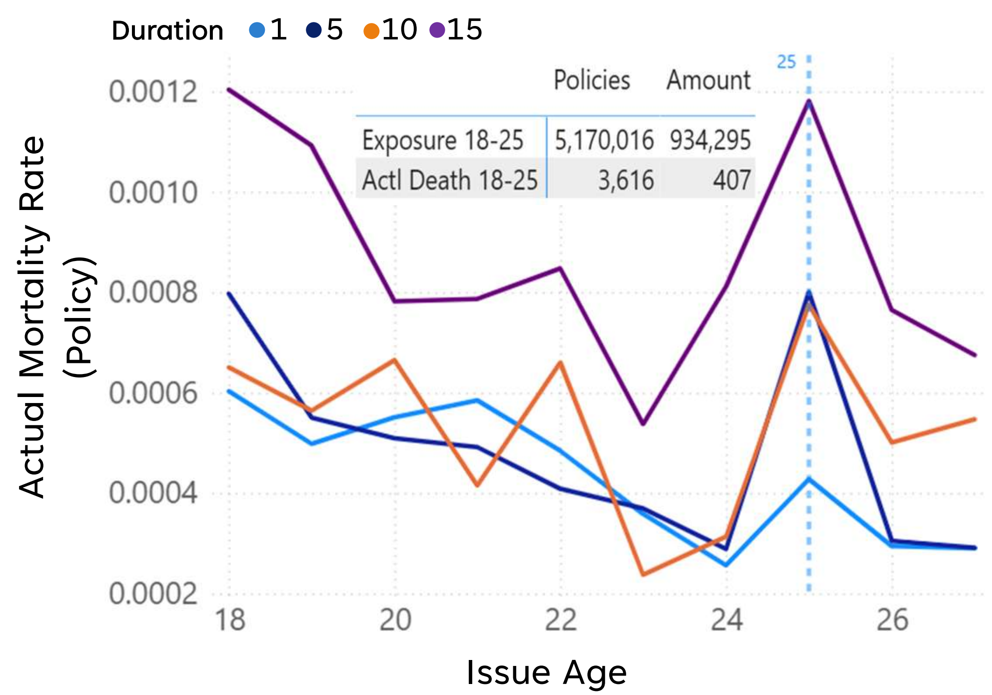
* By 2023, the proportion of early duration unknowns is significantly reduced from 2018/19

Data Summary – Issue Ages 18-25 Data Issue

Issues uncovered

- Mortality for this cohort significantly higher than later issue ages
  - Issue ages 18-25 show a significant spike then decreasing
  - Demonstrate minimal selection
- Inclusion results in model underestimation of mortality for subsequent issue ages
- Suspect spike is related to child rider conversions at age 25

Young Adult Mortality Rate by Issue Age and Duration



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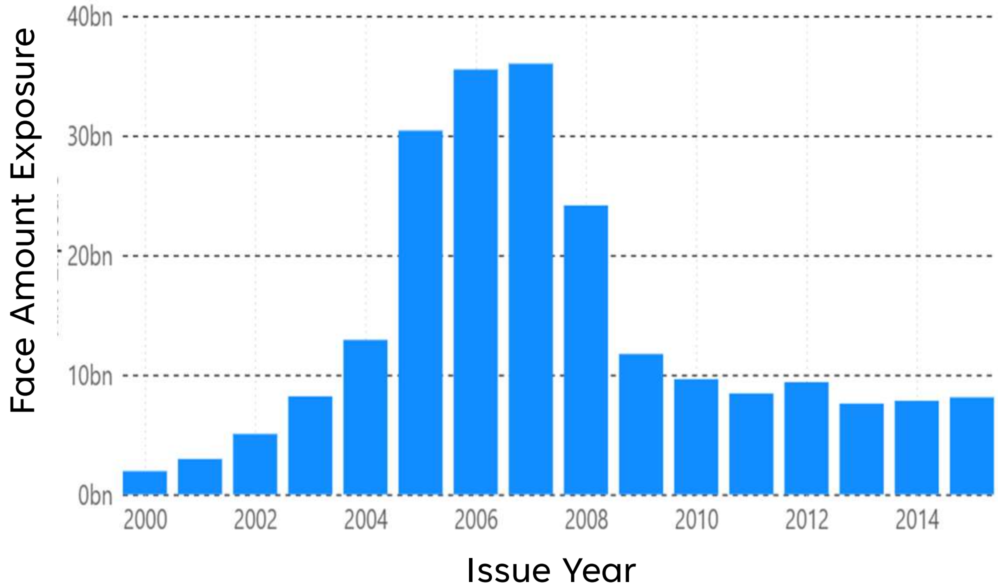
Data Summary – Issue Ages 70+, Issue Years 2005-08, Face Amount Bands 1M+ Data Issue

Issues uncovered

- Large bulge in exposure from UL and ULSG plans primarily from issue years 2005-2008 & face amounts ≥ $1m
  - Mortality for this period is significantly lower than expected
- Results in:
  - "Plateau" in the age duration mortality surface
  - Average face amount in period 10 times higher than subsequent period
  - Older age mortality for durations 1-10 not consistent with durations 11-16
- Impacts results (lowers expected, not conservative)
- Past anomaly that should not affect future mortality

Distribution of Exposures for Face Amounts $1M+
By Issue Year, Issue Ages 70+



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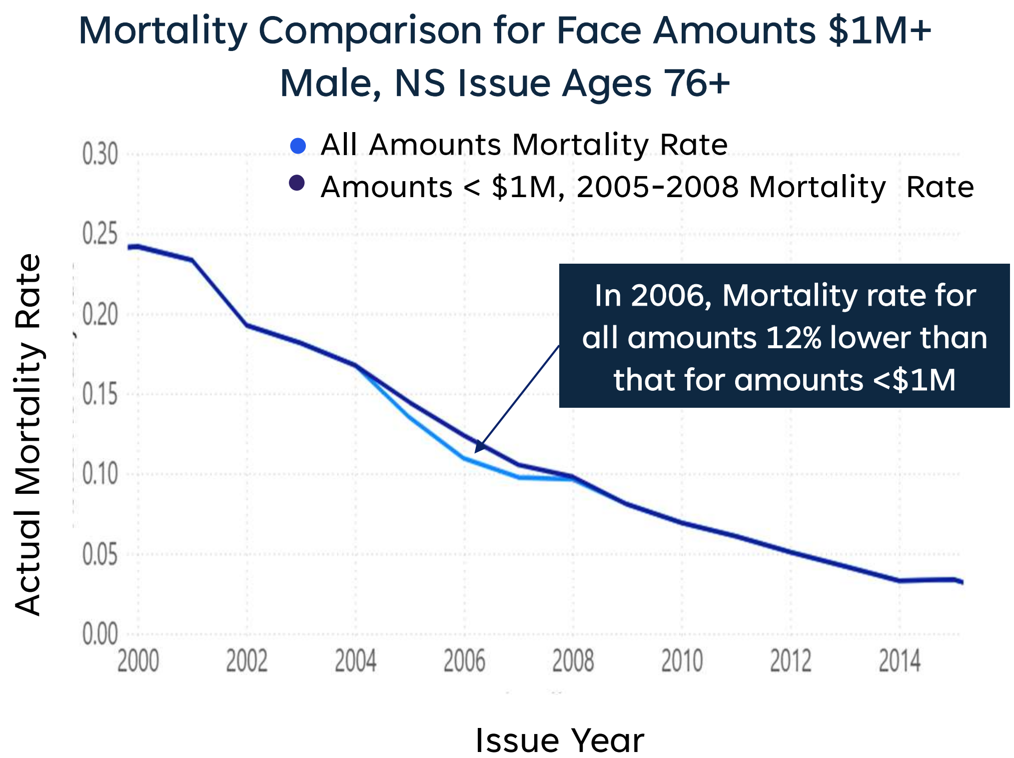
Data Summary – Issue Ages 70+, Issue Years 2005-08, Face Amount Bands 1M+ Data Issue

Recommendation

- Exclude this data from overall analysis
- Implication
  - Loss of exposure
  - Loss of claims (amount + count)

Data Excluded 2005-08

	Policies	Amount
Exposure	29,573	126,099
Actl Death	1,928	7,978



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Model Granularity Refined Results in Fewer, but Still Many Distinct Tables

Reduces the number of attributes and interactions from March meeting

Modeling Interactions	Data Grouping*	
Plan Type	Non-term (N)	Term (T) – includes unknown level term
Face Amount Band	• < $100k • $100k +	• < $250k • ≥ $250k
Risk Class Grouping*	• H = Preferred: (1/2, 1/3, 1/4, 2/3, 2/4) • L = Residual: (2/2, 3/3, 4/4) • N = Non-preferred (preferred underwriting class = 0)	
Results in 48 distinct table combinations; prior to aggregate table		

* Classes using coding system from VM-51

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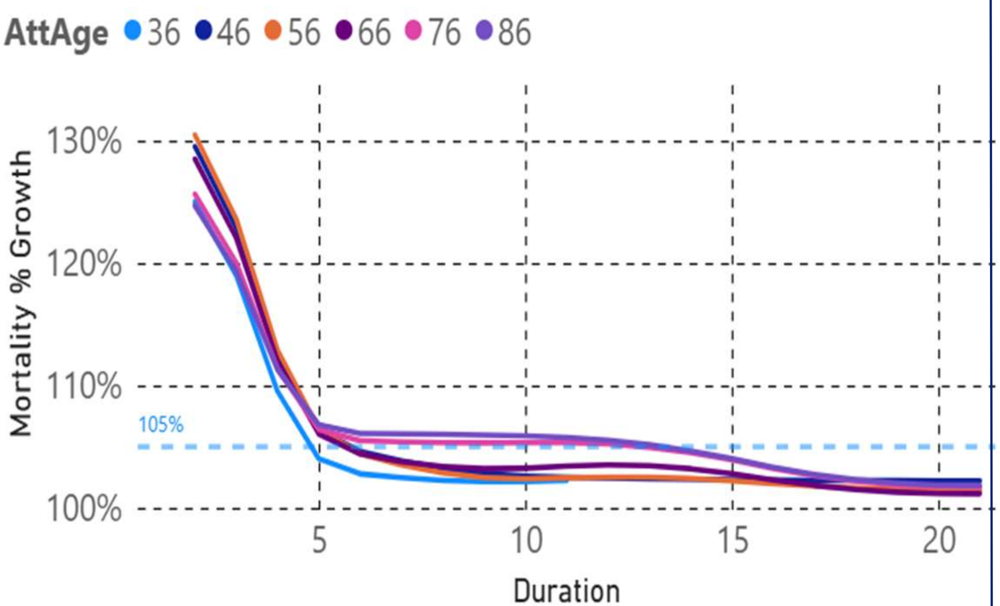
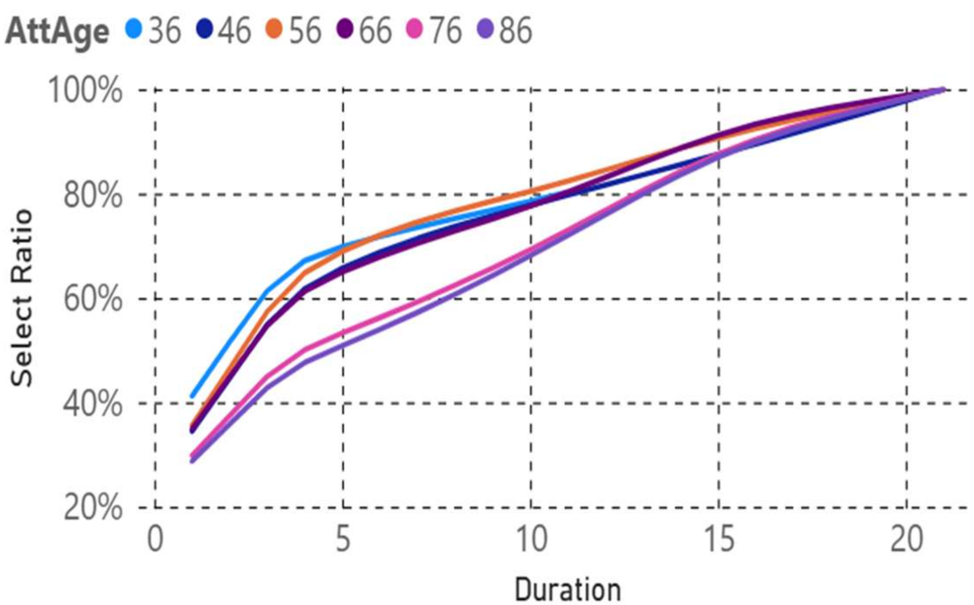
Select Period Shows Slight Reduction for Male Risks

Mortality Growth by Duration and Attained Age



Select Ratio by Duration and Attained Age



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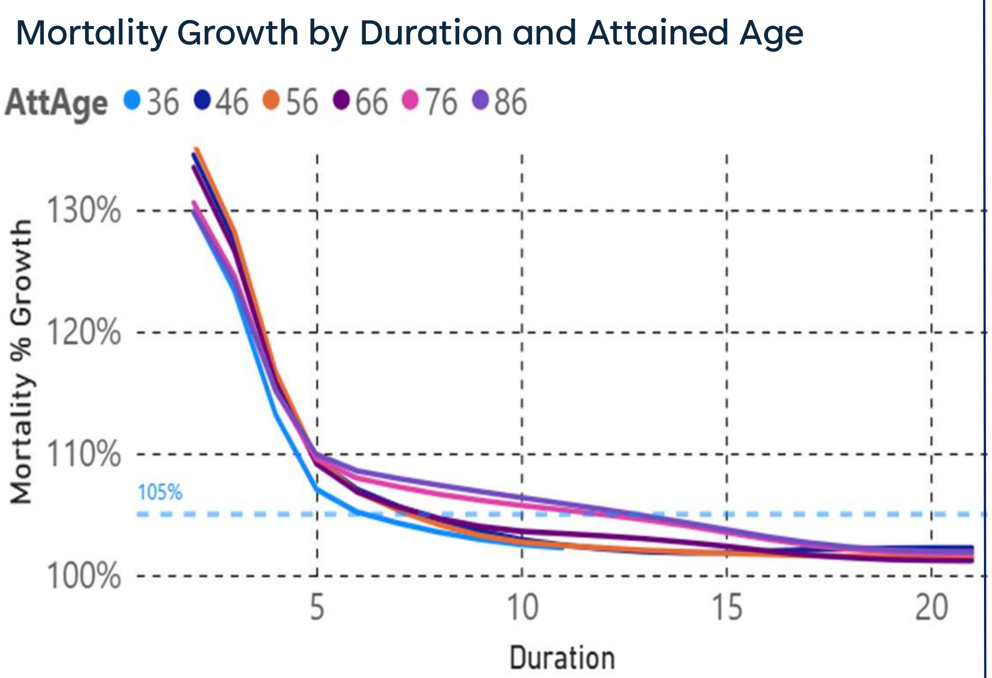
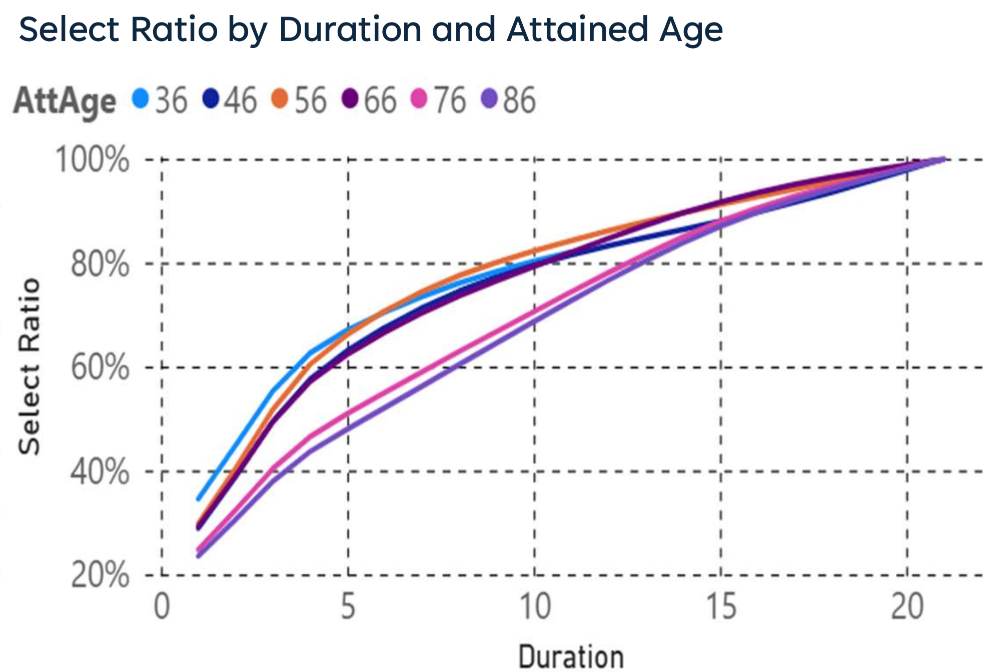
Select Period Shows Similar Pattern for Female Risks





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Recommend 20-year Select Period

2015 VBT Select Period

Issue Age	Male	Female
0-17	0	0
18-54	25	20
55	24	19
60	21	19
65	19	17
70	17	15
75	15	14
80	11	11
85	8	8
90	4	4
95	1	1

Recommended Select Period

Issue Age	Male	Female
0-17	0	0
18-25	0	0
26-69		
70		
75		
80		
85		
90		
95		

Likely recommendation

Still in development

Policy Count versus Policy Amount Table

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Converting Policy-weighted Tables to Amount-weighted Tables

Issue uncovered

- Odd spike in A/E causes unreasonable relationship between amount and count weighted tables
- Likely due to random volatility from sporadic claims at largest face amounts
- Results in model giving higher weights to the very high face amount observations, adding volatility to the curve smoothness

A/E of amount v policy weighted

Amt Lwr	Pol A/E Excl	Amt A/E Excl	Pol A/E Tot	Amt A/E Tot
00000	100%	99%	100%	99%
00010	114%	109%	114%	109%
00025	105%	102%	105%	102%
00050	96%	94%	96%	94%
00100	97%	95%	97%	95%
00250	100%	99%	100%	99%
00500	98%	97%	98%	97%
01000	94%	95%	95%	95%
02500	100%	99%	97%	97%
05000	100%	99%	90%	91%
10000	100%	98%	88%	90%
Total	**100%**	**97%**	**100%**	**95%**

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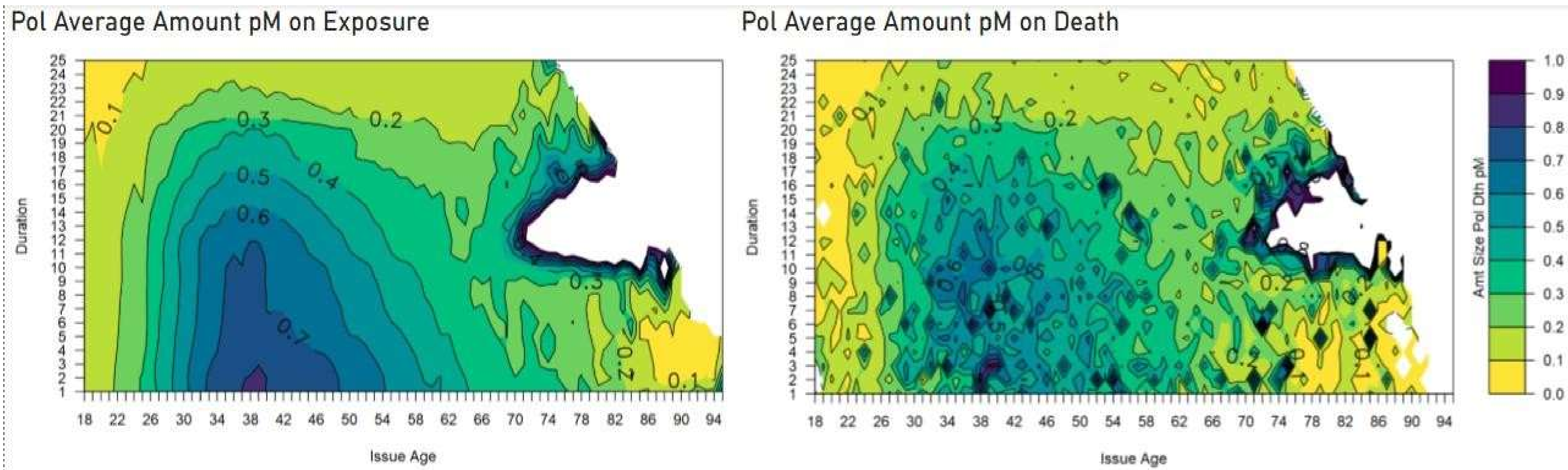
Select Policy Average Amounts: Exposures and Deaths

Average amounts on death* lower than average amounts on exposure and are more volatile driven by more claims at face amounts over $1 M



* Amounts coded by color with yellow being < $0.1M and white being ≥ $1.0M

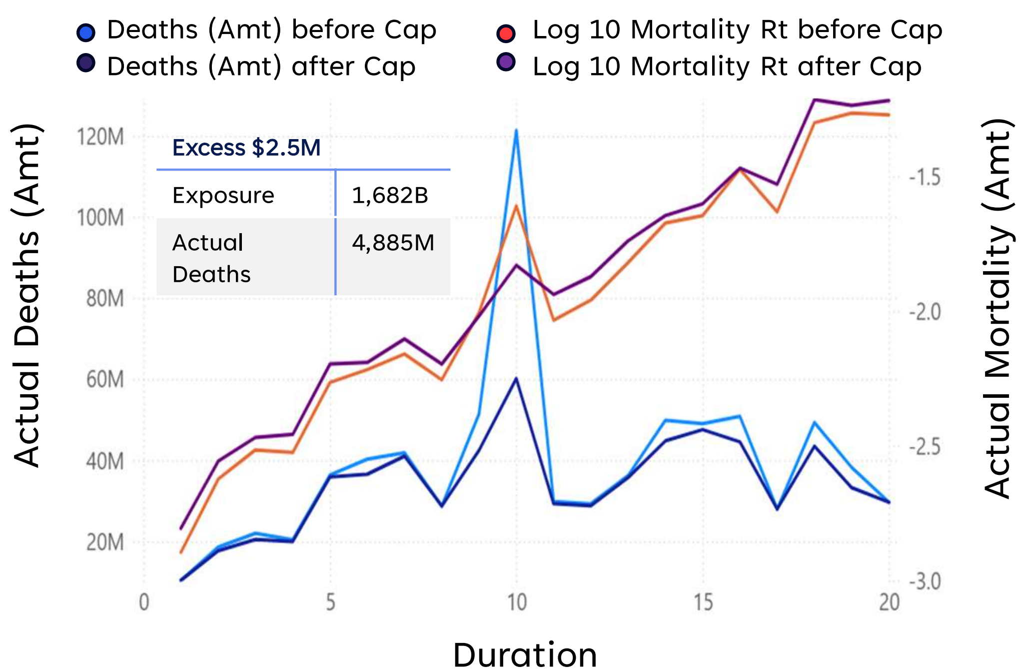
Converting Policy-weighted Tables to Amount-weighted Tables

Recommendation

- Provide a cap on the face amount exposure of $X Million
  - Does not reduce # claims
  - Reduces average size of claim at largest face amounts
  - Smooths out experience by reducing weight of observations
  - Reduces volatility of model results at highest face amounts across all ages
  - Value of X still under review
    - $1M, $2.5M or $5M

Excess Exposure Amounts			Excess Death Amounts		
1.0M+	2.5M +	5.0M +	1.0M+	2.5M +	5.0M+
4,402bn	1,682bn	720bn	9,677M	4,885M	2,322M

Effect of $2.5M Cap on Deaths and Mortality Rates*



* Analysis already excludes data from higher face amount, 70+, 2005-2008

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Next Steps

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Directional Feedback Requested

- Data exclusions
- Table parameters / granularity and # tables
- Capping of large face amount claims
- 20-year select period

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Between Now and Fall National Meeting

September 2026

Finalize proposed basic tables (core adult ages)

End of October

Older age and blending recommendation

Proposed Juvenile tables

Issue age 18-25 blending

End of November

Initial thinking and approach for RR table structure and wear-off pattern

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Recommend a few conference call touch points before Winter meeting

Slightly behind from initial targeted dates

Contact Information

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Chair, Valuation Basic Table Working Group
mary.bahna-nolan@wtwco.com

Philip Adams, FSA, CERA, MAAA
Senior Experience Studies Actuary
SOA Research Institute
padams@soa.org

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Agenda Item 9

Hear an Update from the

American Academy of Actuaries

Academy Professionalism Update

NAIC Summer National Meeting

Life Actuarial (A) Task Force

Aug. 10, 2026

American Academy of Actuaries

Housed in the Academy: The Professionalism Structure

- U.S. Code of Professional Conduct
- U.S. Qualification Standards (USQS)
- Actuarial Standards Board &
  Actuarial Standards of Practice (ASOPs)
- Actuarial Board for Counseling and Discipline (ABCD)

All of these are accessible via the Academy's professionalism page, actuary.org/professionalism, along with Discussion Papers, the Applicability Guidelines, and Professionalism Counts (in Actuarial Update). Up to Code (in *Contingencies*) columns may be found on the ABCD's website (abcdboard.org).

American Academy of Actuaries

Committee on Qualifications

The Committee on Qualifications (COQ)

- Recommends to the Academy's Board of Directors the minimum qualification standards, including continuing education requirements, necessary to qualify credentialed actuaries to issue statements of actuarial opinion in the United States.
- Answers questions relating to qualifications.
  - As of mid-July, the COQ received 14 questions in 2026, covering qualifications for non-US actuaries to issue SAOs, specific qualifications, CE, and documentation requirements.

The most recent U.S. Qualification Standards took effect Jan. 1, 2022.

American Academy of Actuaries

Actuarial Standards Board (ASB)

ACTUARIAL STANDARDS BOARD

General ASOPs under revision

- ASOP No. 1, *Introductory Standard of Practice*
- ASOP No. 12, *Risk Classification (for All Practice Areas)*
- ASOP No. 41, *Actuarial Communications*

Learn more at: www.actuarialstandardsboard.org

AMERICAN ACADEMY of ACTUARIES

Actuarial Standards Board (ASB)

ACTUARIAL STANDARDS BOARD 5

Life ASOPs under revision or development

- ASOP No. 52, *Principle-Based Reserves for Life Products under the NAIC Valuation Manual*
- *Pricing Reinsurance or Similar Risk Transfer Transactions Involving Life Insurance, Annuities, or Long-Duration Health Benefit Plans* (new)

Recently approved

- ASOP No. 7, *Life or Health Cash Flow Analysis* (Effective June 1, 2026)

American Academy of Actuaries

Actuarial Board for Counseling and Discipline (ABCD)

Recent ABCD activities

- In the first half of 2026, the ABCD handled a total of 83 cases, consisting of 55 requests for guidance (RFGs) and 28 inquiry cases.
- In addition, the ABCD conducted nine outreach presentations, both virtually and in person, for actuarial organizations, regulators, and actuarial clubs and firms across all major regions of the United States.

In *Contingencies* magazine

- July/August 2026 Up to Code article, Don't Be 'That Actuary'
- May/June 2026 Up to Code article, Are You Offside?
- March/April 2026 Up to Code article, A Show of Hands

American Academy of Actuaries

Questions?

7

For more information, or to send suggestions/comments on the U.S. Qualification Standards, please contact

Virginia Hulme, Assistant Director, Professionalism

professionalism@actuary.org

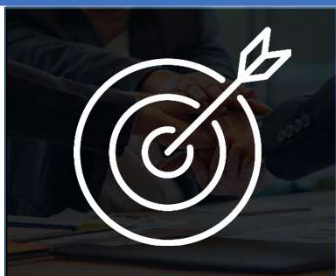
American Academy of Actuaries

Academy Update

Life Actuarial (A) Task Force (LATF)

August 10, 2026

About the Academy



Mission:
To serve the public and the U.S. actuarial profession

Community:
Serving over 20K MAAAs & public stakeholders for 60 years

Standards:
Setting qualification, practice, and professionalism standards

Impact:
Delivering over 300 insight-driven publications & resources annually

Visit www.actuary.org to learn more.

American Academy of Actuaries

Academy Hires New Senior Actuary, Life & Risk Management

Seong-min Eom joins the Academy as the Senior Actuary, Life and Risk Management, bringing over 25 years of diverse actuarial experience that spans regulatory, consulting, and corporate environments.

This new full-time role with the Academy will further enhance our ability to engage strategically with key stakeholders and support the Academy's mission of serving the public and the U.S. actuarial profession.

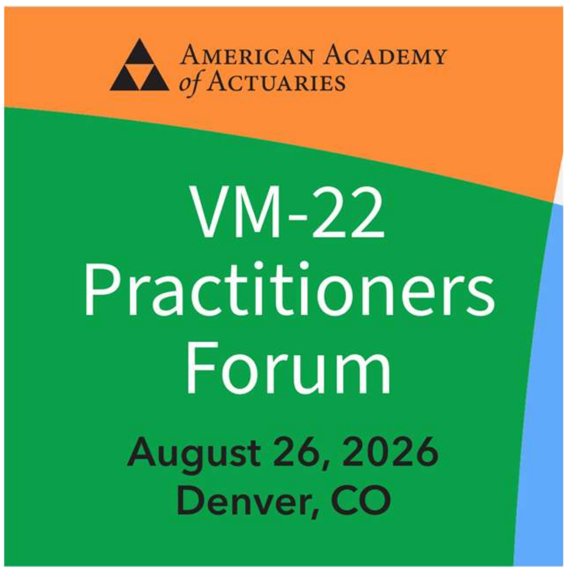
Life Practice Council

- VM-22 Activity
    - Practice Note
    - PBR Bootcamp Webinar Series
- Cross Practice Areas of Interest
    - Retirement Symposium
    - Behavioral Economics Survey
    - AI Use Cases in Insurance and Pensions
    - Climate Change Activities
        - Insurance Affordability
        - Attribution Science—Methodologies
        - AI Data Center Impact
        - Emerging Climate Products

AMERICAN ACADEMY of ACTUARIES

VM-22 Practitioner's Forum

Beyond the Basics: Navigating VM-22 in Practice



Sold Out!

Featuring small-group discussions with a limited audience, the Forum is designed for experienced actuaries who are ready to sharpen their understanding by connecting with peers navigating the same terrain.

Registered participants voted on topics, so the program is built around what's most pressing for the practitioners in the room.

2026 Academy Award for Research

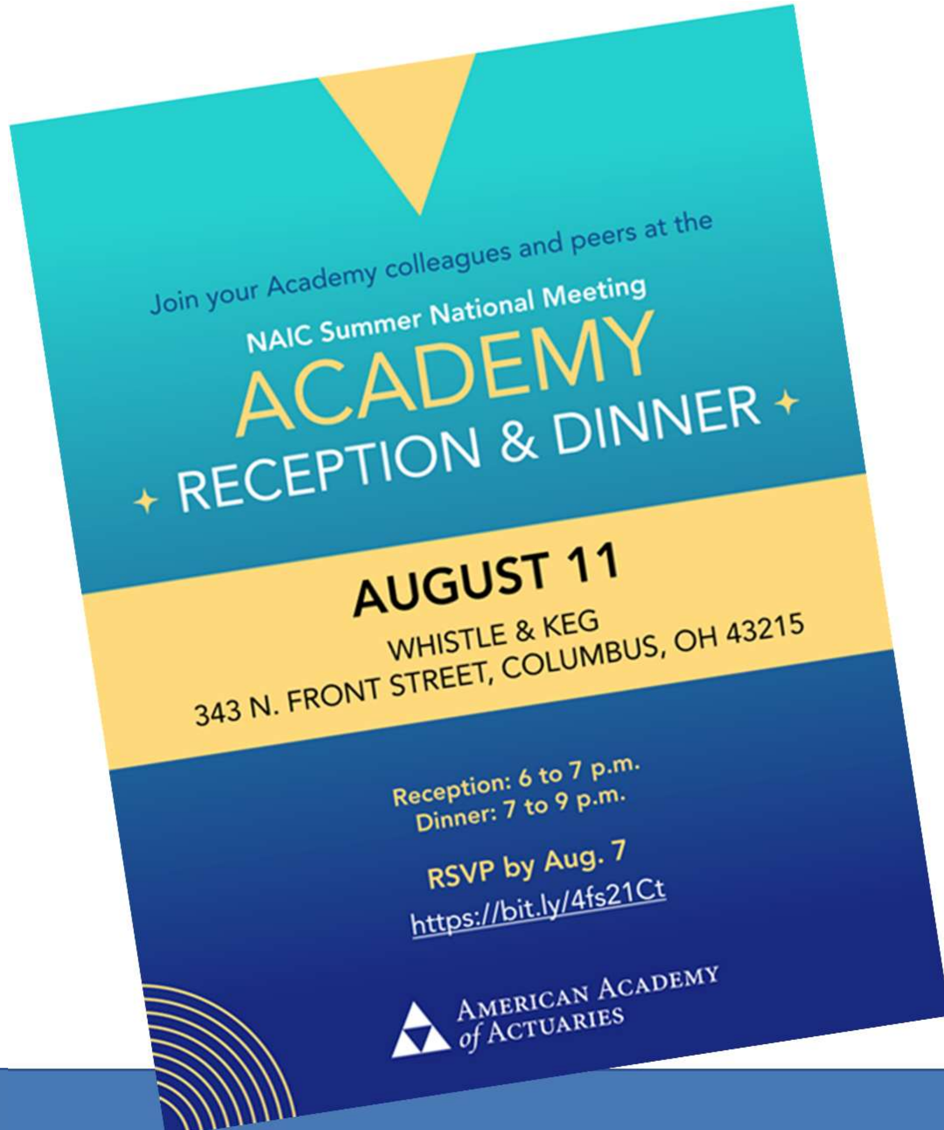
Theme: Access, Affordability, and The Protection Gap

2026 Winner: *A Scalable Toolbox for Exposing Indirect Discrimination in Insurance Rates,* by Olivier Côté, Marie-Pier Côté, Arthur Charpentie

- How can insurance companies identify and quantify proxy discrimination without compromising predictive accuracy or market viability?

Public Policy connection: Suggests actionable tools actuaries can use to navigate evolving regulatory expectations surrounding fairness, rating equity, and consumer protection while addressing how unmitigated rating disparities can inadvertently exacerbate coverage gaps and restrict access for underserved risk pools.

Join us Tomorrow Tonight!



Questions?

For more information, please contact

Marie Fabienne Amisial

Policy Project Manager, Life

amisial@actuary.org

Seong-min Eom

Senior Actuary, Policy & Stakeholder Strategy

eom@actuary.org

Upcoming Events

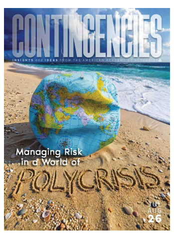
- **VM-22 Forum,** Aug. 26, 2026
- **Retirement Symposium, D.C.,** September 2026
- **Casualty Loss Reserve Seminar (CLRS) with CAS, Las Vegas,** Sept. 14-16, 2026
- **Life and Health Qualifications Seminar, Arlington,** Sept. 28-Oct.1, 2026
- **Seminar on Effective P/C Loss Reserve Opinions, Nashville,** Dec. 7-8, 2026

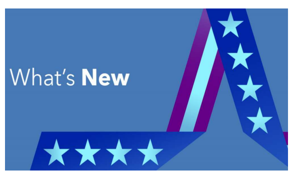
American Academy of Actuaries

Other Academy Resources

Follow the Academy on LinkedIn

Access the Following Resources:





Contingencies Magazine

Policy Forum

Actuarially Sound Blog

Actuary Voices Podcast

Academy Insights

August 4, 2026

Rachel Hemphill, Ph.D., MAAA, FSA, FCAS
Chair, Life Actuarial (A) Task Force (LATF)
National Association of Insurance Commissioners (NAIC)

Re: Life Actuarial (A) Task Force Request to Review VM Prescribed Spreads and Defaults Response Letter

Dear Chair Hemphill:

On behalf of the Life Practice Council of the American Academy of Actuaries,[1] I appreciate the opportunity to respond to the Life Actuarial (A) Task Force's (LATF) request following its April 30th meeting. Specifically, LATF requested that the Academy's Life Reserves Subcommittee (LRS) review the Valuation Manual prescribed default and spread methodology used in VM-20, VM-21, and VM-22, and either confirm that the methodology remains appropriate and produces moderately adverse net spreads or recommend updates.

In response to LATF's inquiry, we confirm that the prescribed methodology remains appropriate. The methodology is designed to produce default cost and spread factors equal to a 70 CTE (Conditional Tail Expectation) target, utilizing current default and spread experience data that is regularly updated. This 70 CTE target was chosen to represent moderately adverse conditions, which is consistent with the moderately adverse target assumed in other elements of the PBR calculation.

Because the methodology applies established formulas to regularly updated experience data rather than relying on static prescribed factors, it avoids obsolescence and is intended to be used on an ongoing basis, provided the underlying experience data remains updated. This intent is supported by the documented update schedule: default cost tables are updated annually, current spread tables monthly, and long-term spread tables quarterly. When initially developed in 2009, this approach was thoroughly tested using publicly available experience data from a well-known investment company. As part of the Academy's current review, we have recently consulted with the Academy members who originally developed this framework, and they confirmed that the methodology does not require modification solely due to passage of time, provided the underlying experience data continues to be updated. This insight aligns with the Academy's Life Practice Council's conclusion.

Separately, we offer the following observations regarding implementation of the model and reinvestment guardrails.

First, while we believe the methodology originally developed by the Academy's Life Reserves Subcommittee (as summarized in VM-20 Appendix 2) is still appropriate for use today, it is important that

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

the tools and processes used by the NAIC to actually generate the prescribed tables accurately implement that methodology. This includes confirmation that the correct data sources and formulas are applied, as well as maintenance of appropriate governance over the production process, such as documentation, change-control procedures, and review of the resulting tables prior to their publication.

Second, we suggest that LATF considers whether the alternative (guardrail) reinvestment strategy warrants adjustment. Currently, 100% of fixed income reinvestment must be in public non-callable corporate bonds, effectively eliminating any complexity or illiquidity premium that many insurers often earn on the less liquid assets commonly used to support long-duration, illiquid liabilities. Allowing a reasonably conservative recognition of such premiums within the guardrail could improve the economic realism of the cash-flow projections while still preserving an appropriate degree of prudence.

The Academy does not, at this time, have a specific proposal for how any such adjustment could be structured. We nonetheless believe the issue merits regulatory consideration and note that public stakeholders may be able to provide valuable input to the discussion. For example, LATF may want to consider if the current framework for prescribed spreads and defaults on public non-callable corporate bonds could effectively be expanded to other types of fixed income assets that offer the possibility of additional net spread due to additional illiquidity and/or complexity risk.

We thank LATF for the opportunity to comment and look forward to contributing to further discussions on these matters. If you have any questions or would like to discuss these comments further, please contact Marie Fabienne Amisial (amisial@actuary.org), the Academy's policy project manager, life.

Sincerely,

Kirsten Pedersen, MAAA, FSA
Vice President, Life Practice Council

Agenda Item 10

Hear an Update on

SOA Research and Education

Society of Actuaries Research Update to LATF

August 10, 2026

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Experience Studies Actuary

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Experience Studies

Project Name	Link/Expected Completion Date
2020-2024 Individual Payout Annuity Mortality Experience Study	https://www.soa.org/resources/experience-studies/2026/2020-24-individual-payout/
2015-2024 Deferred Annuity Mortality Study	8/31/2026
2024-2025 Registered Index-Linked Annuity Policyholder Behavior	9/30/2026
2018-2024 Individual Life Mortality Study	10/31/2026
2009-2024 Post-Level Term Mortality and Lapse	12/15/2026
ILEC SI AUW Underwriting	6/30/2027

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Practice Research

Project Name	Objective	Link/Expected Completion Date
Complex Assets in Insurance and Annuity Industries	Examine the use of complex assets in the life and annuity industry compared to traditional public corporate bonds	https://www.soa.org/resources/research-reports/2026/complex-assets-insurance-annuities/
Fairness Metrics for Life Insurance	Identify and discuss a variety of quantitative metrics that could be used to evaluate fairness of life insurance products under different definitions of fairness	https://www.soa.org/resources/research-reports/2026/fairness-metrics-life-insurance/
International Reinsurance Landscape Overview for U.S. Life & Annuities	Examine the offshore reinsurance landscapes	https://www.soa.org/resources/research-reports/2026/international-reinsurance-landscape-overview/
2025 Mortality Improvement Assumption Survey	Update of 2022 MI survey	8/14/2026
Quantifying Mortality and Morbidity Impacts from Climate Risks: A Practical Framework for Decision Making	Quantifying Mortality and Morbidity Impacts from Climate Risks: A Practical Framework for Decision Making	8/14/2026
Criminal Histories and Mortality	Examine the link between individuals with a criminal history and mortality	8/31/2026
Impact of AI Supported UW on Mortality Slippage - Report	Get a holistic and in-depth understanding of the industry's current approaches to AI supported underwriting and its impacts on mortality slippage	8/31/2026
Considerations in Developing Combination LTC Products	Combo LTC analysis	9/30/2026
Mortality by Socioeconomic Category through 2024	Update of life tables by socioeconomic decile through 2024	9/30/2026
Mortality by Socioeconomic-Demographic Analysis - Collection of Analyses	Collection of analyses of county-level mortality variations by socioeconomic and demographic characteristics that are both methodologically rigorous and practically informative	9/30/2026

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Questions?

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Agenda Item 11

Consider Exposure of the

2026 GRET Recommendation

2027 GRET Recommendation

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Background

- Recommended Generally Recognized Expense Table (GRET) for 2027 was based on certain information reported in companies' 2024 and 2025 Annual Statements provided by the NAIC.
- Other than the combination of two distribution channels (Niche Marketing and Other), the general methodology we followed is similar to prior years.
- 2027 GRET factors are slightly lower than 2026 factors for majority of companies in the analysis (377 total companies).

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Methodology: Expense Analysis and Distribution Channels

Calculate Company Actual to Expected	- Actual expense data from NAIC-provided Annual Statements. - Apply seed factors to company data to calculate expected expenses. - Compare Actual to Expected Expenses
Remove Outliers	- Calculate medians by distribution channel. - Remove companies above 350% or below 10% of the median.
Primary Distribution Channel	- Survey sent by SOA Research Institute to gather distribution channel and/or review distribution channel previously gathered.
Determine Final Factors	- For each distribution channel, determine the average A/E. - Multiply the average A/E over the past two years times the Seed value to determine the final factor. (A rounded change cap of ± 10% is applied.)

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Companies Considered in Calculation

Year	Starting Companies	Reinsurers (Removed)	De minimis Expenses (Removed)	Companies Considered
2024	712	(56)	(133)	523
2025	702	(67)	(129)	506

- Started with data from the NAIC for all companies' Blue Book values.
- Removed Reinsurers.
- Removed companies with no reported expenses.

Final Used Companies in 2027 Factor Calculation

Year	Companies Considered	Outlier Exclusion	Removed for Large Premium per Policy	Not Kept in Other Calculation Year	Final Companies
2024	523	(113)	(8)	(22)	380
2025	506	(93)	(9)	(27)	377

- Started with considered companies.
- Removed companies that failed exclusion tests.
- Removed companies with large premium per policy (greater than $40K).
- Removed companies that were not kept in other calculation year.

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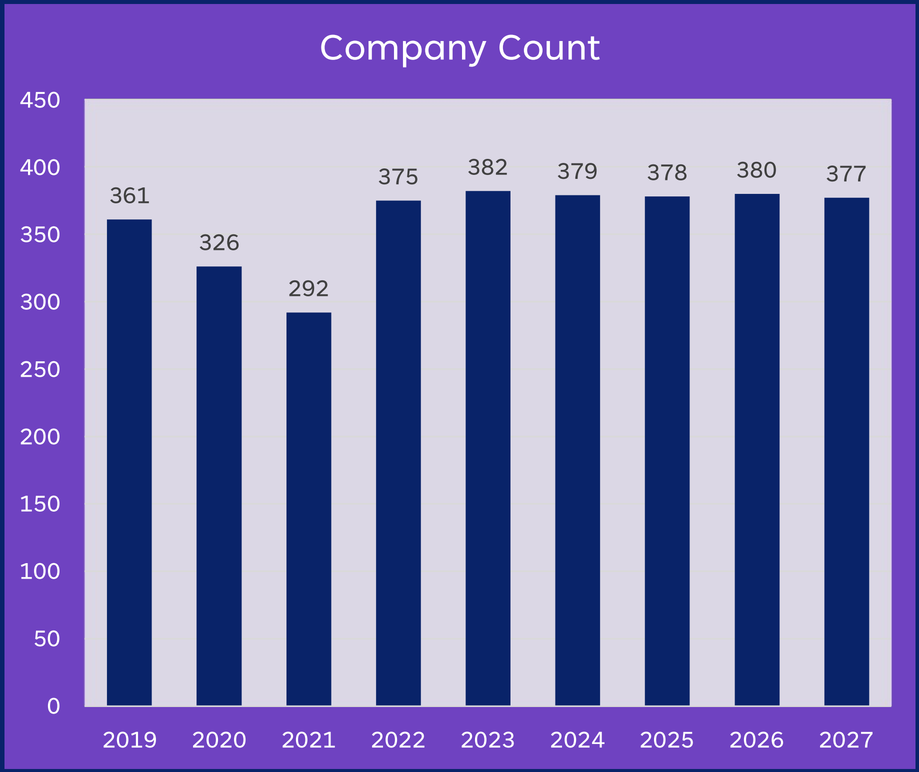
Final Companies Study

- Final company count used in the 2027 GRET calculation was 377
- Slight decrease from the 380 in the 2026 GRET
- Over the past five years, the company count has been very steady, between 375 and 380.



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Current 2026 GRET Factors

Current 2026 GRET FACTORS (based on average of 2023/2024 data)					
Description	Acquisition per Policy	Acquisition per Unit	Acquisition per Premium	Maintenance per Policy	Company Count
Independent	$217	$1.20	54%	$65	150
Career	$238	$1.30	60%	$72	95
Direct Marketing	$263	$1.40	65%	$79	24
Niche Marketing	$126	$0.70	32%	$38	25
Other*	$175	$1.00	44%	$53	86
* Includes companies that did not respond to this or prior year surveys. Note: All values reflect capped final factors (±10% annual change limit). Rounding may result in the final change being slightly outside of the limit. In addition, there is a one-time reduction from 2026 to 2027 exceeding 10% for companies in the Other category in both years due to the combination of Niche Marketing and Other.					380

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Company Counts: 2026 into 2027

Description	2026 Company Count	2027 Company Count
Independent	150	174
Career	95	101
Direct Marketing	24	25
Niche Marketing	25	----
Other*	86	77
Total	380	377

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Acquisition per Policy Factor Comparison

Comparison to Prior Years					
Description	2025	Percentage Change	2026	Percentage Change	2027
Independent	$204	6%	$217	-2%	$212
Career	$227	5%	$238	-1%	$235
Direct Marketing	$239	10%	$263	10%	$289
Niche Marketing*	$131	-4%	$126	10%	$139
Other**	$159	10%	$175	-21%	$139

*Niche Marketing category was eliminated beginning with 2027 GRET Factors.
** For 2025 and 2026, includes companies that did not respond to this or prior year surveys. For 2027, includes most companies that were in Niche Marketing in prior years' GRET Factors.
Note: All values reflect capped final factors (±10% annual change limit). Rounding may result in the final change being slightly outside of the limit. In addition, there is a one-time reduction from 2026 to 2027 exceeding 10% for companies in the Other category in both years due to the combination of Niche Marketing and Other.

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Acquisition per Unit Factor Comparison

Comparison to Prior Years					
Description	2025	Percentage Change	2026	Percentage Change	2027
Independent	$1.10	9%	$1.20	0%	$1.20
Career	$1.20	8%	$1.30	0%	$1.30
Direct Marketing	$1.30	8%	$1.40	7%	$1.50
Niche Marketing*	$0.70	0%	$0.70	14%	$0.80
Other**	$0.90	11%	$1.00	-20%	$0.80

*Niche Marketing category was eliminated beginning with 2027 GRET Factors.

** For 2025 and 2026, includes companies that did not respond to this or prior year surveys. For 2027, includes most companies that were in Niche Marketing in prior years' GRET Factors.

Note: All values reflect capped final factors (±10% annual change limit). Rounding may result in the final change being slightly outside of the limit. In addition, there is a one-time reduction from 2026 to 2027 exceeding 10% for companies in the Other category in both years due to the combination of Niche Marketing and Other.

Acquisition per Premium Factor Comparison

Comparison to Prior Years					
Description	2025	Percentage Change	2026	Percentage Change	2027
Independent	51%	6%	54%	-2%	53%
Career	57%	5%	60%	-2%	59%
Direct Marketing	59%	10%	65%	11%	72%
Niche Marketing*	33%	-3%	32%	9%	35%
Other**	40%	10%	44%	-20%	35%

*Niche Marketing category was eliminated beginning with 2027 GRET Factors.

** For 2025 and 2026, includes companies that did not respond to this or prior year surveys. For 2027, includes most companies that were in Niche Marketing in prior years' GRET Factors.

Note: All values reflect capped final factors (±10% annual change limit). Rounding may result in the final change being slightly outside of the limit. In addition, there is a one-time reduction from 2026 to 2027 exceeding 10% for companies in the Other category in both years due to the combination of Niche Marketing and Other.

Maintenance per Policy Factor Comparison

Comparison to Prior Years					
Description	2025	Percentage Change	2026	Percentage Change	2027
Independent	$61	7%	$65	-2%	$64
Career	$68	6%	$72	-1%	$71
Direct Marketing	$72	10%	$79	10%	$87
Niche Marketing*	$39	-3%	$38	11%	$42
Other**	$48	10%	$53	-21%	$42

*Niche Marketing category was eliminated beginning with 2027 GRET Factors.

** For 2025 and 2026, includes companies that did not respond to this or prior year surveys. For 2027, includes most companies that were in Niche Marketing in prior years' GRET Factors.

Note: All values reflect capped final factors (±10% annual change limit). Rounding may result in the final change being slightly outside of the limit. In addition, there is a one-time reduction from 2026 to 2027 exceeding 10% for companies in the Other category in both years due to the combination of Niche Marketing and Other.

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Recommendation for 2027 GRET Factors

Proposed 2027 GRET FACTORS (based on average of 2024/2025 data)					
Description	Acquisition per Policy	Acquisition per Unit	Acquisition per Premium	Maintenance per Policy	Company Count
Independent	$212	$1.20	53%	$64	174
Career	$235	$1.30	59%	$71	101
Direct Marketing	$289	$1.50	72%	$87	25
Other*	$139	$0.80	35%	$42	77
* Includes most companies that were in Niche Marketing in prior years' GRET Factors. Note: All values reflect capped final factors (±10% annual change limit). Rounding may result in the final change being slightly outside of the limit. In addition, there is a one-time reduction from 2026 to 2027 exceeding 10% for companies in the Other category in both years due to the combination of Niche Marketing and Other.					377

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Reference: Expense Seed Factors

- Based on averages from 2006–2010 SOA studies of term and permanent products.
- Blended, non-differentiated seeds used across all channels since 2015.

	Acquisition per Policy	Acquisition per Unit	Acquisition per Premium	Maintenance per Policy
Term				
• Weighted Average	$149	$0.62	38%	$58
• Unweighted Average	$237	$0.80	57%	$76
• Median	$196	$0.59	38%	$64
Permanent				
• Weighted Average	$167	$1.43	42%	$56
• Unweighted Average	$303	$1.57	49%	$70
• Median	$158	$1.30	41%	$67
Current Seed Factors	$200	$1.10	50%	$60

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Additional Survey Results: GRET Usage

Percentage of Companies that use GRET Factors	
Survey Year	Percentage
2025	25%
2024	34%
2023	44%
2022	35%
2021	31%
2020	29%
2019	26%
2018	28%
2017	30%

Annual industry survey on GRET factor usage for individual life sales illustrations.

The results show that usage among the survey respondents remains in the 30% range for the past nine years.

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Questions?

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August 3, 2026

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

Re: 2027 Generally Recognized Expense Table (GRET) – SOA Research Institute Analysis

Dear Rachel:

As in previous years, the Society of Actuaries (SOA) Research Institute expresses its thanks to NAIC staff for their assistance and responsiveness in providing Annual Statement expense and unit data for the 2027 GRET analysis for use with individual life insurance sales illustrations. The analysis is based on expense and expense-related information reported on each company's 2024 and 2025 Annual Statements. This project has been completed to assist the Life Actuarial Task Force (LATF) in considering potential revisions to the GRET that could become effective for the calendar year 2027. This memo describes the analysis and resultant findings.

NAIC staff provided Annual Statement data for life insurance companies for calendar years 2024 and 2025. This included data from 712 companies in 2024 and 702 companies in 2025. This decrease resumes the trend of small decreases from year to year. Of the total companies, 377 were in both years and passed the outlier exclusion tests and were included as a base for the GRET factors (380 companies passed similar tests last year).

Approach Used

The methodology for calculating the recommended GRET factors based on this data is similar to that of the last several years. The general methodology was last altered in 2015. The changes made then can be found in the recommendation letter sent to LATF on July 30, 2015. One change we made in this year's analysis, through the input and review with the SOA Committee on Life Insurance Company Expenses (CLICE), was to combine the Niche Marketing and Other Distribution categories together. This combination has also been extended to the upcoming SOA Research Institute / LIMRA expense study that we plan on releasing in 2027.

To calculate updated GRET factors, the average of the factors from the two most recent years (2024 and 2025 for those companies with data available for both years) of Annual Statement data was used. For each company, an actual-to-expected (A/E) ratio was calculated. Companies with ratios that fell outside predetermined parameters were excluded. This process was completed three times to stabilize the average rates. The boundaries of the exclusions have been modified from time to time; however, there were no adjustments made this year. Unit expense seed factors (the seeds for all distribution channel categories are the same), as shown in Appendix B, were used to compute total expected expenses. Thus, these seed factors were used to implicitly allocate expenses between acquisition and maintenance expenses, as well as among the three acquisition expense factors (on a direct or ceded reinsurance basis).

Companies were categorized by distribution channel (four categories were used as described in Appendix A included below) through either self-reporting to the SOA, or through CLICE and SOA staff analysis. Effort was made to assign these companies a distribution channel. If a distribution channel could not be determined, the company was placed in the "Other" category.

Any advice or assistance from LATF in future years to increase the response rate to the surveys of companies that submit Annual Statements or to reduce the number of companies in the "Other" category would be most welcome. The intention is to continue surveying the companies in future years to enable the enhancement of this multiple distribution channel information.

Companies were excluded from the analysis if in either 2024 or 2025, (1) their A/E ratios were considered outliers, often due to low business volume, (2) the average first year and single premium per policy were more than $40,000, (3) they are known reinsurance companies, or (4) their data were not included in the data supplied by the NAIC. To derive the overall GRET factors, the unweighted average of the remaining companies' A/E ratios for each respective category was calculated. The resulting factors were rounded, as shown in Table 1.

The Recommendation

The above methodology results in the proposed 2027 GRET values are shown in Table 1. To facilitate comparisons, the current 2026 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 2027 GRET FACTORS (BASED ON AVERAGE OF 2024/2025 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	$212	$1.20	53%	$64	174	$4,696	$339
Career	$235	$1.30	59%	$71	101	$1,592	$207
Direct Marketing	$289	$1.50	72%	$87	25	$767	$73
Other*	$139	$0.80	35%	$42	77	$782	$31
* Includes most companies that were in Niche Marketing in prior years' GRET factors and companies that did not respond to this or prior year surveys for which a distribution channel could not be determined.					377		

TABLE 2

CURRENT 2026 GRET FACTORS (BASED ON AVERAGE OF 2023/2024 DATA)

DESCRIPTION	Acquisition per Policy	Acquisition per Unit	Acquisition per Premium	Maintenance per Policy	Companies Included	Average Premium Per Policy Issued During Year**	Average Face Amt (000) Per Policy Issued During Year**
Independent	$217	$1.20	54%	$65	150	$4,503	$363
Career	$238	$1.30	60%	$72	95	$2,022	$251
Direct Marketing	$263	$1.40	65%	$79	24	$706	$68
Niche Marketing	$126	$0.70	32%	$38	25	$654	$15
Other*	$175	$1.00	44%	$53	86	$483	$35
* Includes companies that did not respond to this or prior year surveys ** Restated to aggregate averages rather than the average per company and to exclude companies that issued no new policies.					380		

In previous recommendations, an effort was made to reduce volatility in the GRET factors from year to year by limiting the yearly change in GRET factors to about 10% of the prior value. The changes from the 2026 GRET were reviewed to ensure that a significant change was not made in this year's GRET recommendation with the exception of the one-time reduction exceeding -10% for companies in the Other category in both years due to the combination of the Niche Marketing and Other distribution channels.

The GRET factors for the Direct Marketing and Other distribution channels exceeded the +10% threshold and were, therefore, capped (Note: factors for Other were capped at +10% of the prior year's factors for Niche Marketing). This action limited volatility and ensured consistency for illustration purposes despite inherent fluctuations in smaller-sample, high-variability channels. No capping was required for Independent or Career channels.

Usage of the GRET

This year's survey, responded to by each company's Annual Statement correspondent, included a question regarding whether the 2026 GRET table was used in its illustrations by the company. Last year, 34% of responders indicated their company used GRET for sales illustration purposes. This year, 25% of responding companies indicated they used the 2026 GRET for sales illustration purposes. Usage levels have returned to the historical range of around 30%. The responses covered all major distribution methods, with 50% from Independent and 6% from Career; no respondents from Direct Marketing or Other reported using the GRET Factors. Based on the information received over the last several years, the variation in GRET usage appears to be in large part due to the relatively small sample size and different responders to the surveys.

We hope LATF finds this information helpful and sufficient for consideration of a potential update to the GRET. If you require further analysis or have questions, please contact Dale Hall at 847-273-8835.

Sincerely,

SOCIETY OF ACTUARIES RESEARCH INSTITUTE

R. Dale Hall — 08/03/2026

By: R. Dale Hall, FSA, MAAA, CERA, CFA — Date
Managing Director, Research
Society of Actuaries Research Institute

Yutaro Seki — 08/03/2026

By: Yutaro Seki, FSA, EA, MAAA — Date
Experience Studies Actuary
Society of Actuaries Research Institute

Appendix A – Distribution Channels

The following is a description of distribution channels used in the development of recommended 2027 GRET values:

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 personal producing general agent (PPGA) arrangements, Independent Marketing Organizations, and Independent Multi-Level Marketing organizations.

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.

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.

Other – Business written outside of the three categories above. Examples include home service, pre-need, and worksite. This category also includes companies that did not respond to the survey and whose distribution channel could not be determined.

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 which 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 2027 and 2026 GRET recommendations were based on the average of the 2006 through 2010 Annual SOA expense studies. These studies differentiated unit expenses by type of individual life insurance policy (term and permanent coverages). As neither the GRET nor the Annual Statement data provided differentiates between these two types of coverage, the unit expense seed was derived by judgment based on this information. The following shows the averages derived from the Annual SOA studies and the seeds used in this study. Beginning with the 2020 Annual Statement submission, this information will become more readily available.

2006-2010 (AVERAGE) CLICE STUDIES:

	Acquisition/ Policy	Acquisition/ Face Amount (000)	Acquisition/ Premium	Maintenance/ Policy
Term				
Weighted Average	$149	$0.62	38%	$58
Unweighted Average	$237	$0.80	57%	$76
Median	$196	$0.59	38%	$64
Permanent				
Weighted Average	$167	$1.43	42%	$56
Unweighted Average	$303	$1.57	49%	$70
Median	$158	$1.30	41%	$67

CURRENT UNIT EXPENSE SEEDS:

	Acquisition/ Policy	Acquisition/ Face Amount (000)	Acquisition/ Premium	Maintenance/ Policy
All distribution channels	**$200**	**$1.10**	**50%**	**$60**

Agenda Item 12

Receive an Update on

AG 53 Reports

Update on Actuarial Guideline 53 reviews

Fred Andersen, Minnesota

Areas of focus

- Unmodeled cliff risk of complex assets
- Unmodeled illiquidity risk of complex assets
- Valuation of level 3 assets

Unmodeled cliff risk of complex assets

- Some asset types have high gross yields and may have low risk of default in an 85^{th} percentile scenario
- But fat tail risk
  - Substantial loss of value beyond 85^{th} %-tile
  - Some claim this risk is beyond moderately adverse
- Run 1,000 Treasury scenarios which all show no chance of loss

Unmodeled cliff risk of complex assets

- Indirectly, the issue of high assumed yields and disregarding risks has been addressed
  - Outlying high net yield assumptions have been reduced with VAWG / domestic regulator engagement for 30 companies

Unmodeled cliff risk of complex assets

- What would more rigorous modeling show?
  - Consideration of the full distribution of risk is required
  - Would averaging of 70th through 100th percentile asset risk (CTE 70) show worse downside than reflected in default assumption?
  - How should really bad asset scenarios be reflected in reserve adequacy testing?

Unmodeled cliff risk of complex assets

- CFT / AG 53 reports should at least disclose what a scenario leading to bad asset performance would look like
  - Even if it's not the reserve adequacy basis
  - Helps provide regulators comfort that the company understands the high-yield asset type and its risk

Unmodeled illiquidity risk

- CFT / AG 53 reports should at least disclose what a scenario leading to an illiquid asset leading to losses would look like
  - Even if it's not the reserve adequacy basis
  - Helps provide regulators comfort that the company understands the illiquid asset type and its risk

Unmodeled illiquidity risk

- Could be up interest rate scenario
  - Disintermediation risk
  - Lapse for cash surrender value when asset market values fall
- Could be down interest rate scenario
  - e.g., guaranteed withdrawal income is more in the money in down scenario
  - More unexpected cash flow demands if more policyholders select GLWB income

Level 3 valuations

- Asset value is determined by the insurer
- Asset value has direct impact on CFT results if asset is assumed to be sold
- Indirect impact: artificially high valuation could give false sense of low risk (low CFT default assumptions)
- Also RBC impact

Agenda Item 13

Hear an Update on

AG 55 Reports

Update on Actuarial Guideline 55 reviews

Fred Andersen, Minnesota

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AG 55 background

- Adopted by the NAIC last year
- Disclosures on reserve adequacy after certain reinsurance
  - Are reduced reserves resulting from these transactions still adequate to pay future claims?
  - Are reserves available to cover moderately adverse conditions and capital available to cover more severe conditions?
- First filings: 2Q 2026
  - 80 life insurers with filings; over 100 AG 55 reports
    - Some ceding companies: multiple treaties within scope

AG 55 Reviews

- Started with prioritized companies
  - e.g., high percentage of liabilities ceded offshore or to captive
- Reviews still in early stages
- Interactions with early review companies
- No firm conclusions at this point
- Mainly observations, areas to pursue better understanding

AG 55 findings

- Many annuity blocks have lower reserve amount supporting it after offshore / captive reinsurance
- Most common reasons for reduced reserves (reported by companies):
  - Asset returns are higher than US statutory discount rate
  - Policyholder behavior is less efficient than in US stat
  - VM-22 changed some of the dynamics

AG 55 findings

- If reserves are not reduced?
  - Company may say, "holding 100% US Statutory reserve"
    - But little or no extra money to support the block
    - Equivalent of near 0% RBC ratio
  - Company may say, pursuing "capital efficiency"
  - AG 55 contemplates reserves and capital supporting assumed business
    - Reviews are digging into this issue
- Other identified issues – Top 10 list (to pursue better understanding)

AG 55 – top 10 topics of regulatory interest

1. High net yield assumptions without modeling of downside
    - Illiquidity or other causes of downside – not always triggered by int. rate path
    - Interaction with policyholder behavior (guarantee selection, cash demands)
    - Should default assumptions on floating rate assets vary by int. rate scenario?
2. Valuation of level 2/3 assets
    - Are companies able to kick the can down the road when initial indications of underperformance appear?
    - Any change in cash-flow testing assumptions after initial indication?

AG 55 – top 10 topics of regulatory interest

3. Transparency of assets held by offshore reinsurer
   - Information on asset types is contained in AG 55
   - Details on assets – riskier than in U.S.?
   - Risk different if affiliated / non-affiliated; funds w/h vs. on reinsurer's bal. sheet?
4. Unmodeled cliff risk of certain assets
   - How should sens. / stress tests impact cash-flow testing assumptions?
   - Should average in and disclose cliff possibility even if beyond 85th %-tile

AG 55 – top 10 topics of regulatory interest

5. Reinsurer balance sheet verification
    - Verification of post-reinsurance reserve (starting asset amount for AG 55)
    - Any questionable offsetting asset on reinsurer's balance sheet?
    - Establish protocol to increase transparency?
6. Low capital after reinsurance
    - "Holding reserves at US statutory level" when total assets held are lower
    - Still sufficient capital to handle beyond moderately adverse conditions?

AG 55 – top 10 topics of regulatory interest

7. Reasons for offshore / captive reinsurance
    - What are reasonable reasons?
    - Beyond perceived US Stat "CARVM" conservatism? "Fixed" with VM-22?
8. Company understanding of risks
    - Rapid growth: rich-guarantee annuity sales matched with complex assets and offshore reinsurance
    - Do all market entrants understand the risks: product, asset, reinsurance?

AG 55 – top 10 topics of regulatory interest

9. Probability / impact of reinsurer failure
   - Consideration of collectability risk should be part of standard cash-flow testing
     - ASOP #22 and AG 53
10. Misunderstanding of AG 55
    - Most common: not applying AG 55 definition of Post-reinsurance Reserve when establishing cash-flow testing starting asset amount
    - Testing the reserve amount actually held

Next steps

- Continue reaching out to companies, gaining more understanding on these 10 (and other) issues
  - Macro and company-specific analysis
- Guidance document development
  - LATF discussion later in August
  - More details on policyholder behavior assumptions, alternative run justification, reserve decrease drivers if no attribution analysis provided