



Draft date: 12/7/22

2022 Fall National Meeting  
Tampa, Florida

**LIFE INSURANCE AND ANNUITIES (A) COMMITTEE**

Wednesday, December 14, 2022

12:00 – 2:00 p.m.

Venue—Room—Level

**ROLL CALL**

Judith L. French, Chair	Ohio	James J. Donelon	Louisiana
Carter Lawrence, Vice Chair	Tennessee	Barbara D. Richardson	Nevada
Mark Fowler	Alabama	Marlene Caride	New Jersey
Peni Itula Sapini Teo	American Samoa	Adrienne A. Harris	New York
Karima M. Woods	District of Columbia	Cassie Brown	Texas
Colin M. Hayashida	Hawaii	Scott A. White	Virginia
Doug Ommen	Iowa	Nathan Houdek	Wisconsin
Vicki Schmidt	Kansas		

NAIC Support Staff: Jennifer R. Cook/Jolie H. Matthews

**AGENDA**

1. Consider Adoption of its Nov. 15 Meeting Minutes—  
*Director Judith L. French (OH)* Attachment One
2. Consider Adoption of Life Actuarial (A) Task Force  
Report—*Rachel Hemphill (TX)* Attachment Two
3. Hear Update from the Accelerated Underwriting (A)  
Working Group—*Commissioner Grace Arnold (MN)*
4. Hear Update from the Annuity Suitability (A) Working  
Group—*Commissioner Doug Ommen (IA)* Attachment Three
5. Discuss Any Other Matters Brought Before the Task Force  
— *Director Judith L. French (OH)*
10. Adjournment

Draft: 12/2/22

Life Insurance and Annuities (A) Committee  
Virtual Meeting  
November 15, 2022

The Life Insurance and Annuities (A) Committee met Nov. 15, 2022. The following Committee members participated: Judith L. French, Chair (OH); Carter Lawrence, Vice Chair (TN); Mark Fowler (AL); Peni Itula Sapini Teo represented by Elizabeth Perri (AS); Karima M. Woods represented by Philip Barlow (DC); Colin M. Hayashida represented by Kathleen Nakasone (HI); Doug Ommen (IA); Vicki Schmidt represented by Craig VanAalst (KS); Marlene Caride (NJ); Barbara D. Richardson (NV); Adrienne A. Harris represented by Bill Carmello and Mark McLeod (NY); Cassie Brown represented by Rachel Hemphill (TX); Scott A. White represented by Craig Chupp (VA); and Nathan Houdek (WI).

1. Adopted its Summer National Meeting Minutes

Commissioner Lawrence made a motion, seconded by Nakasone, to adopt the Committee's Aug. 11 (*see NAIC Proceedings – Summer 2022, Life Insurance and Annuities (A) Committee*) minutes. The motion passed unanimously.

2. Adopted the 2023 GRET

Hemphill explained that the Society of Actuaries (SOA) provided the Life Actuarial (A) Task Force with the annual update to the Generally Recognized Expense Table (GRET). She said no concerns were raised with the SOA updates, and the Task Force unanimously adopted the updated 2023 GRET on Sept. 8.

Commissioner Lawrence made a motion, seconded by VanAalst, to adopt the 2023 GRET (*see NAIC Proceedings – Fall 2022, Executive (EX) Committee and Plenary, Attachment --*). The motion passed unanimously.

3. Adopted the Life Actuarial (A) Task Force's 2023 Proposed Charges

Hemphill explained that the Task Force made minor revisions to its 2022 charges for 2023. She said that the charges related to accelerated underwriting were expanded to include other emerging underwriting practices to reflect the diversity in the terms used beyond just accelerated underwriting. She said the Indexed Universal Life (IUL) Illustration (A) Subgroup charges were updated to include any needed changes to *Actuarial Guideline XLIX-A—The Application of the Life Illustrations Model Regulation to Policies With Index-Based Interest to Policies Sold on or After December 14, 2020 (AG 49-A)*, as new revisions are currently being considered. She said the last change made removed the 2022 targeted timeline for the Longevity Risk (E/A) Subgroup. Hemphill said the Task Force adopted its 2023 proposed charges via an e-vote that concluded Oct. 22.

Birny Birnbaum (Center for Economic Justice—CEJ) said that he supports the revised Task Force charges. He said he has suggested additional charges for the Life Insurance and Annuities (A) Committee, which are consistent with the Task Force's 2023 proposed charges.

Commissioner Ommen made a motion, seconded by Commissioner Fowler, to adopt the Life Actuarial Task Force 2023 Proposed Charges (*see NAIC Proceedings – Fall 2022, Executive (EX) Committee and Plenary, Attachment --*). The motion passed unanimously.

#### 4. Adopted the Committee's 2023 Proposed Charges

Director French explained that the 2023 proposed Life Insurance and Annuities (A) Committee charges are the same as last year, with the exception of the removal of the Life Insurance Online Guide (A) Working Group. She said that the online guide charge was added several years ago, and since that time, the NAIC website has completed a rebranding. As a result, much of the life insurance information has also been updated. She reminded attendees that the NAIC Communications team gave a presentation at the Summer National Meeting about plans to incorporate additional information seen on other states' insurance department websites, as well as translate information on the website into Spanish.

Director French explained that given this activity, creating something more comprehensive (like a decision tree) might give the impression that the NAIC is the primary resource for obtaining that kind of information, which is the purview of the states. Additionally, that kind of project would require resources and technical expertise beyond what the Working Group is able to provide. She said it is for these reasons that the Life Insurance Online Guide (A) Working Group and charge have been removed.

Birnbaum summarized his comment letter. He explained that the CEJ is asking the Committee to establish a charge for 2023 to develop principles and revised guidance for life insurance and annuity illustrations. He said the charge is broad, but it is urgently needed. He said tweaks to the *Life Insurance Illustrations Model Regulation (#582)* will not come close to solving the many problems with life and annuity illustrations.

Birnbaum said the Life Actuarial (A) Task Force is working on the third or fourth version of AG 49 because of ongoing concerns with unrealistic and deceptive illustrations of indexed universal life insurance products and insurers gaming each new iteration of AG 49 to defeat the purpose of reining in unrealistic illustrations. He asked why has the Task Force had to revisit this issue repeatedly over a short period of time and why insurers are able to subvert the intent of each new version of AG 49.

Birnbaum said the answer is that: 1) the Task Force is working within the constraints of Model #582, which did not contemplate the indexed products that now represent a huge portion of life insurance sales; and 2) the Task Force members are skilled actuarial technicians, so their solutions reflect their skill set. He said because illustrations are consumer disclosures, they require a different skill set. He said actuarial input is necessary, but the Task Force should not be taking the lead on illustrations.

Birnbaum said any attempts to address the shortcomings of illustrations must recognize that life insurance and annuity products—particularly indexed and variable products—are marketed as investments that compete with securities investments. He said this is true despite a pro forma statement that the product is insurance and not an investment. He said that projected future accumulation values in the illustrations are prohibited for any other type of financial investment.

Birnbaum mentioned that the CEJ comment letter includes some examples of IUL illustrations along with his comments. He said, putting aside the length and density of the documents, the illustrations fail the basic purpose of an illustration—to help the consumer understand how the product operates. He said the illustrations reflect product designs intended to maximize illustrated annual crediting rates and accumulation values. Birnbaum said even though the disclaimer says that the product is insurance and not an investment, the illustration is all about how the consumer can invest money and realize outsized returns. He said the illustration employs practices and techniques not permitted for any other type of investment product even though the insurance products are simply chassis for investments in all manner of financial instruments.

Birnbaum said the problems are not limited to IUL illustrations, but are also found with indexed annuities. He said the illustration regimes for indexed life insurance and indexed annuities are inconsistent. He said AG 49 attempts to cap the annual crediting rate for IUL, but there is no such limitation for indexed annuities. Birnbaum said that since he submitted his comment letter, he has reviewed a half dozen current illustrations for fixed indexed annuity products, and these illustrations show 15% to 20% annual crediting rates every year in a 50-year projection. He said that the illustration regimes are different, but the bad outcome is the same—unrealistic and deceptive operation of the product.

Birnbaum said he is not alone in raising concerns about illustrations and the destructive competition to produce unrealistic accumulation values. He said many life insurance professionals are also concerned. He said the comment letter he submitted identifies many concerning techniques that require a broad consideration of illustrations. He said the solution to these problems is shorter, simpler illustrations that show how the product actually operates and highlight the relevant benefits and potential dangers consistent with the best practices for consumer financial disclosure. Birnbaum said his proposed charge commits the NAIC to that path. He said this will not only protect insurance consumers, but also it will stop destructive competition that may affect the financial condition of insurers and lead to calls for more federal involvement.

Director French said that the IUL Illustration (A) Subgroup has identified the need to look at issues with illustrations, and she agreed that there are issues that may require involvement beyond the actuaries. Rather than amending the charges at this time, she suggested waiting to hear from the Life Actuarial (A) Task Force and whatever proposals it may have, which may include the Committee's involvement. Barlow said that he agrees that this is an issue that warrants the Committee's consideration. He said the illustrations that were included in the CEJ comment letter and illustrations he has seen in other places do a poor job explaining the product being sold, which is the purpose of the illustration. He said there are issues beyond technical actuarial issues that need to be addressed. Director French agreed with Barlow and said the IUL Illustration (A) Subgroup is committed to looking at the issues comprehensively and agreed that that the Committee will continue to discuss the issue.

Commissioner Ommen made a motion, seconded by Commissioner Lawrence, to adopt the Committee's 2023 proposed charges (*See NAIC Proceedings – Fall 2022, Executive (EX) Committee and Plenary, Attachment --*). The motion passed unanimously.

##### 5. Gave an Update on the Enhanced Cash Surrender Offer Issue

Director French reminded attendees that the issue of enhanced cash surrender value (CSV) offers in universal life insurance was raised during the Summer National Meeting. She explained that it is her intention to gather information about the issue. She said, as was mentioned during the Summer National Meeting, the NAIC Legal team drafted a memorandum looking into the history of universal life and its application to the *Standard Nonforfeiture Law for Life Insurance* (#808). She said a survey of state insurance departments also was developed to get a better understanding of the prevalence of enhanced CSV offers, what they look like, and to whom they apply. Director French said the survey and memorandum were distributed, and responses are requested by Nov. 21.

Having no further business, the Life Insurance and Annuities (A) Committee adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/A Cmte/2022 Fall National Meeting/11-15-22 ACmte min Draft

*2022 Fall National Meeting  
Tampa, Florida*

**LIFE ACTUARIAL (A) TASK FORCE**

Sunday, December 11, 2022

8:00 a.m.–4:30 p.m. ET

Monday, December 12, 2022

8:00–11:00 a.m. ET

**Meeting Summary Report**

The Life Actuarial (A) Task Force met Dec. 11–12, 2022. During this meeting, the Task Force:

1. Adopted its Nov. 17, Nov. 10, Oct. 27, Oct. 24, Oct. 13, Oct. 6, Sept. 29, Sept. 15, Sept. 8, and Aug. 25 minutes. During these meetings, the Task Force took the following action:
  - A. Adopted the 2023 Generally Recognized Expense Table (GRET).
  - B. Adopted templates for the *Actuarial Guideline LIII—Application of the Valuation Manual for Testing the Adequacy of Life Insurer Reserves* (AG 53) submissions.
  - C. Adopted amendment proposal form (APF) 2022-06, which adds requirement to disclose information regarding company’s inflation assumption in PBR actuarial reports.
  - D. Exposed APF 2022-07 that clarifies the VM-20 net premium reserve (NPR) mortality adjustment.
  - E. Adopted the 2022 American Academy of Actuaries (Academy) Mortality Improvements Life Work Group (MILWG) and the Society of Actuaries (SOA) Mortality and Longevity Oversight Advisory Council (MLOAC) recommendation for historical mortality improvement and future mortality improvement tables.
  - F. Exposed a draft Index-Linked Variable Annuity (ILVA) Actuarial Guideline.
  - G. Adopted its Summer National Meeting minutes.
  - H. Exposed a referral from the Financial Regulatory Standards and Accreditation (F) Committee.
  - I. Exposed an NAIC staff memorandum and recommendation for a replacement for the London Interbank Offer Rate (LIBOR).
  - J. Adopted the Task Force’s 2023 Charges.
  - K. Exposed an NAIC staff memorandum regarding guidance on the allocation of interest maintenance reserves (IMR) in VM-20, Requirements for Principle-Based Reserves for Life Products; VM-21, Requirements for Principle-Based Reserves for Variable Annuities; and VM-30, Actuarial Opinion and Memorandum Requirements.
  
2. Adopted the report of the Index-Linked Variable Annuity (A) Subgroup, including its Sept. 27, Sept. 20, and Aug. 29 minutes. During these meetings, the Subgroup took the following action:
  - A. Discussed comments received on the proposed ILVA actuarial guideline.
  - B. Exposed draft versions of the ILVA Actuarial Guideline.
  
3. Adopted the reports of the Experience Reporting (A) Subgroup, the Longevity Risk (E/A) Subgroup, and the Variable Annuities Capital and Reserve (E/A) Subgroup.

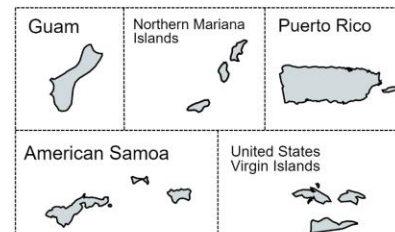
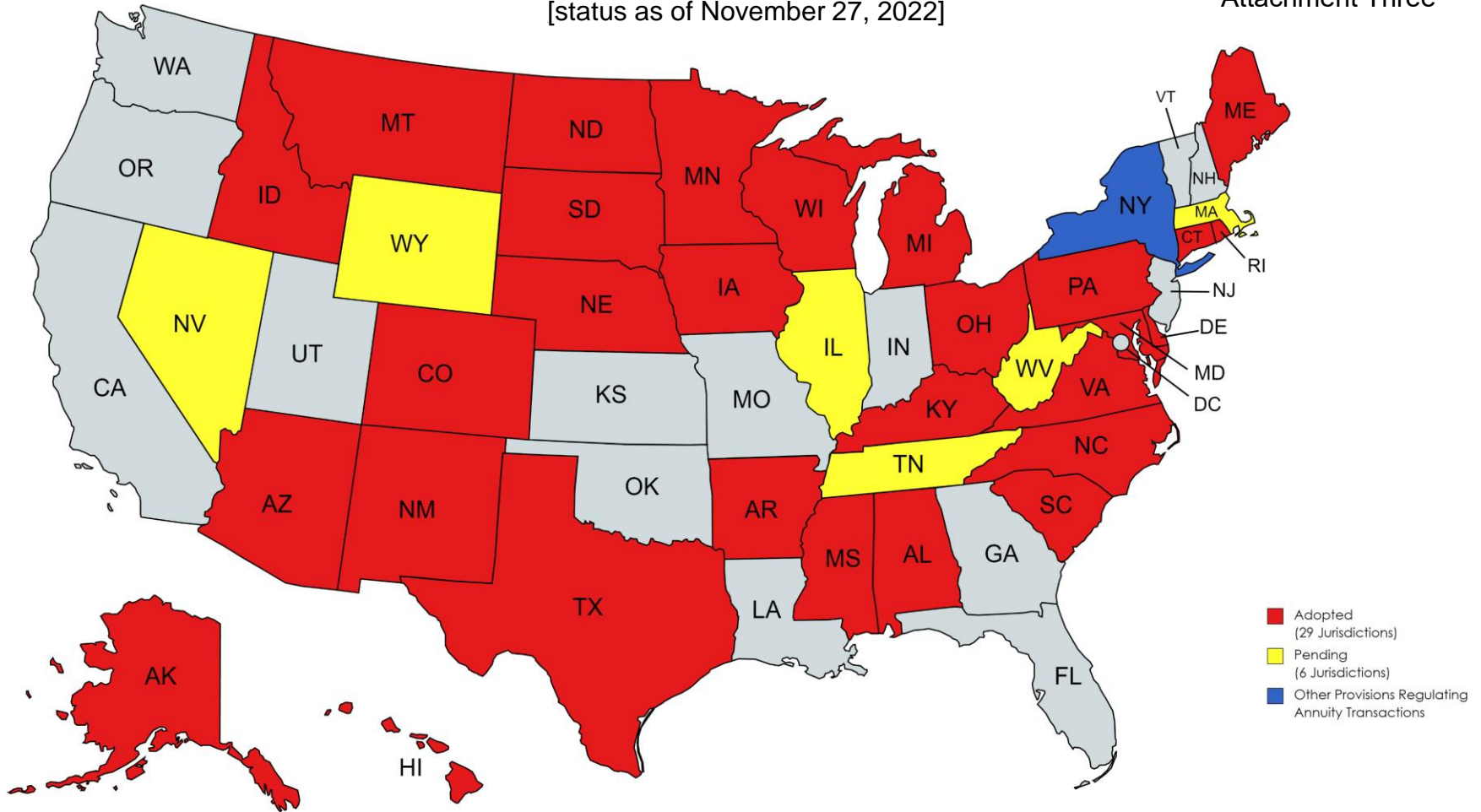
4. Adopted the proposed ILVA actuarial guideline.
5. Adopted the report of the Valuation Manual (VM)-22 (A) Subgroup, including its Nov. 30, Oct. 27, Oct. 12, Oct. 4, Sept. 21, Sept. 7, Aug. 24, and Aug. 17 minutes. During these meetings, the Subgroup took the following actions:
  - A. Discussed comments received on the exposure of the VM-22, Requirements for Principle-Based Reserves for Non-Variable Annuities Draft.
  - B. Exposed a revised VM-22, Requirements for Principle-Based Reserves for Non-Variable Annuities Draft.
  - C. Exposed the Academy proposal for payout annuity exclusion testing.
  - D. Heard presentations on standard projection amount (SPA) expense, mortality, and policyholder behavior assumptions.
6. Adopted revisions to *Actuarial Guideline XLIX-A—The Application of the Life Illustrations Model Regulation to Policies With Index-Based Interest to Policies Sold on or After December 14, 2020* (AG 49-A).
7. Adopted the report of the Indexed Universal Life (IUL) Illustration (A) Subgroup, including its Nov. 9 and Oct. 12 minutes. During these meetings, the Subgroup took the following actions:
  - A. Exposed a request to collect comments on ideas for changes to the *Life Insurance Illustrations Model Regulation* (#582).
  - B. Heard comments relating to a quick fix for AG 49-A.
8. Discussed comments received on the exposure of the request for comment on ideas for changes to the *Life Insurance Illustrations Model Regulation* (#582).
9. Discussed the Academy's Economic Scenario Work Group (ESWG) economic scenario generator (ESG) simplified corporate model.
10. Heard a presentation from the Academy on ESG interest rate stylized facts and acceptance criteria.
11. Adopted the NAIC staff recommendation memorandum on a replacement for the London Interbank Offered Rate (LIBOR).
12. Heard an update on VM-50, Experience Reporting Requirements, and VM-51, Experience Reporting Formats, of the *Valuation Manual*.
13. Adopted an NAIC staff negative interest maintenance reserve (IMR) memorandum.
14. Exposed APF 2022-08 that clarifies reporting and governance requirements for groups of contracts using the VM-21 alternative method for a 21-day public comment period ending Jan. 4, 2023.
15. Heard an update from the Academy Life Practice Council.
16. Heard an update on the Society of Actuaries' (SOA's) research and education.
17. Re-exposed APF 2022-07 for a 21-day public comment period ending Jan. 4, 2023.

18. Heard a presentation on the NAIC ESG field test qualitative survey results.

# Implementation of 2020 Revisions to Model #275 Suitability in Annuity Transactions Model Regulation

[status as of November 27, 2022]

Attachment Three



Disclaimer: This map represents state action or pending state action regarding NAIC amendments to the model(s). This map does not reflect a determination as to whether the pending or enacted legislation contains all elements of NAIC amendments to the model(s) or whether a state meets any applicable accreditation standards.