LIFE ACTUARIAL (A) TASK FORCE

The mission of the Life Actuarial (A) Task Force is to identify, investigate and develop solutions to actuarial problems in the life insurance industry.

Ongoing Maintenance of NAIC Programs, Products and Services:

The Life Actuarial (A) Task Force will:

1. Address charges to the Life Actuarial (A) Task Force as provided in the Principle-Based Reserving (PBR) Implementation Plan adopted by the Principle-Based Reserving Implementation (EX) Task Force. These charges include Valuation Manual and PBR work expected by the Life Insurance and Annuities (A) Committee, including consideration of the VM-22 (A) Subgroup efforts to pose a PBR methodology for non-variable (fixed) annuities. Report progress to the Principle-Based Reserving Implementation (EX) Task Force and to the Life Insurance and Annuities (A) Committee.—Essential

2. Respond to requests/referrals from the Life Insurance and Annuities (A) Committee regarding reserves or other requirements, including contingent deferred annuities and any other relating to current or new product lines.—Essential

3. Monitor international developments regarding life and health insurance reserving. Compare and benchmark with PBR requirements.—Important

4. Work with the American Academy of Actuaries (Academy) and the Society of Actuaries (SOA) to develop new Valuation Basic Table (VBT) and Commissioners Standard Ordinary (CSO) mortality tables, including tables for preneed, simplified issue and guaranteed issue forms of life insurance and minimum nonforfeiture requirements for life insurance. Provide periodic status reports on this project.—Important

5. Review Actuarial Guideline XLIII—CARVM for Variable Annuities (AG 43) and recommend changes as appropriate to the requirements. Work with any recommendations from the C-3 Phase II/AG 43 (E/A) Subgroup.—Essential

6. Review Actuarial Guideline XXXIII—Determining CARVM Reserves for Annuity Contracts with Elective Benefits (AG 33) and provide recommendations and changes as appropriate to address reserving issues.—Important

7. Study the feasibility of a new nonforfeiture law for life insurance and annuities to replace the existing nonforfeiture standards. Provide periodic status reports on this project.—Important

8. Work with the SOA to continue development of reporting channels of distribution information needed to better establish Generally Recognized Expense Table (GRET) factors.—Important

9. Address approvals from the Life Insurance and Annuities (A) Committee regarding Task Force requests to work on model requirements, including any approvals for modifications to the Actuarial Opinion and Memorandum Regulation (#822).—Important

10. Consider any revisions, as appropriate, for the Synthetic Guaranteed Investment Contracts Model Regulation (#695).—Important

11. Develop the Actuarial Method for the Principle-Based Reserving Implementation (EX) Task Force’s review and consideration in adopting items such as the XXX/AXXX Reinsurance Model Regulation and possible changes to the Actuarial Opinion and Memorandum Regulation (#822). The Actuarial Method should consist of VM-20, Requirements for Principle-Based Reserves for Life Products, modified to incorporate changes to mortality tables as developed by the American Academy of Actuaries and any other appropriate modifications determined by the Life Actuarial (A) Task Force, and should explicitly keep (in current or modified form) or eliminate the “net premium reserve” component of the current VM-20.—Essential
12. Develop an actuarial guideline to provide interim guidance for the Actuarial Opinion and Memorandum Regulation (#822) as it relates to XXX/AXXX reinsurance transactions. The AG should specify that, in order to comply with Model #822, the opining actuary must issue a qualified opinion as to the ceding insurer’s reserves if the ceding insurer or any insurer in its holding company system has engaged in a XXX/AXXX reserve financing transaction that does not adhere to the Actuarial Method and Primary Security forms adopted by the NAIC. The Principle-Based Reserving Implementation (EX) Task Force’s XXX/AXXX Reinsurance Framework Exhibit 3 should be considered for this actuarial guideline, modified as appropriate by the Task Force.—Essential

13. Draft amendments, if needed, to specify that, in order to comply with Model #822, the opining actuary must issue a qualified opinion as to the ceding insurer’s reserves if the ceding insurer or any insurer in its holding company system has engaged in a reserve financing transaction that does not adhere to the NAIC XXX/AXXX Reinsurance Model Regulation and other aspects of the XXX/AXXX Framework, as adopted by the Task Force.—Essential

14. Develop an actuarial guideline to provide uniform guidance for illustration of indexed universal life policies.—Essential

15. Provide recommendations and changes as appropriate to other reserve and nonforfeiture requirements to address issues and provide actuarial assistance and commentary to other NAIC committees relative to their work on actuarial matters.—Important

LIFE ACTUARIAL (A) TASK FORCE SUBGROUPS

The Experience Reporting (A) Subgroup will:

- Continue development of the experience reporting requirements within the Valuation Manual and provide input as appropriate for the process regarding the statistical agent, data collection and subsequent analysis and use of experience submitted.—Essential

The Contingent Deferred Annuity (A) Subgroup will:

1. Evaluate AG 43 to determine whether the reserve guidance as it applies to variable annuity guarantees would be deficient when applied to contingent deferred annuities (CDAs). Recommend changes, as appropriate, to address any deficiencies and determine whether clarifying guidance would be useful due to different nomenclature than variable annuities with guarantees.—Essential

2. Consider revisions to the Standard Nonforfeiture Law for Individual Deferred Annuities (#805) to specifically exclude CDAs from the scope of the model.—Essential

3. Review and determine whether revisions to Model #695 are needed to clarify its relationship with CDAs.—Essential

4. Review and consider changes, as necessary, to the appropriate Annual Statement Blank to address financial reporting requirements for CDAs.—Essential

The Index-Linked Variable Annuity (A) Subgroup will:

- Provide recommendations to the Task Force regarding the applicability of the NAIC variable annuity regulatory framework to non-unitized index-linked products filed as variable, including, but not limited to, product definition and nonforfeiture requirements.—Important

The Aggregate Margin (A) Subgroup will:

- Consider the appropriateness of an aggregate margin approach for quantifying a provision for uncertainty and risk in the underlying valuation assumptions.—Important
The **VM-22 (A) Subgroup** will:

- Pose a PBR methodology for non-variable (fixed) annuities for consideration by the Life Actuarial (A) Task Force.  
  — *Essential*

The joint **C-3 Phase II/AG 43 (E/A) Subgroup** of the Life Risk-Based Capital (E) Working Group and Life Actuarial (A) Task Force will:

- Evaluate the overall effectiveness of the C-3 Phase II and AG43 methodologies used to evaluate the market risk component of RBC by conducting an in-depth analysis of the models, modeling assumptions, processes, supporting documentation and results of a sample of companies writing variable annuities with guarantees, and make recommendations to the Capital Adequacy (E) Task Force or Life Actuarial (A) Task Force on any changes to the methodologies to improve their overall effectiveness.  — *Essential*