The attached draft of the C3P2/AG43 Work Plan, prepared by the NAIC C3P2/AG43 Subgroup, proposes that immediate attention be given to activities identified as short term action items, which are AG43, or reserve items. There will be regularly scheduled conference calls to facilitate review, discussion and feedback from Regulators, the Insurance Industry and the American Academy of Actuaries.
C3P2/AG43 Work Plan Draft

- **Short Term Target Time Frame**
  - Discuss and assess short term action items with recommendations to LATF for possible 12/31/2013 implementation.

- **Scope**

  - **Short Term Action Items re: some reserve items (AG 43)**
    - Review the in-the-money definition used to calculate standard scenario lapse rates and make changes as appropriate to accurately reflect dynamic policyholder behavior in relation to actual values of guarantees. There is concern that the value for these purposes is being inaccurately calculated when the guarantee is in the form of income, such as with GMIB’s and GMWB’s.
    - The use of issue year interest rates when discounting GMIB’s and lifetime GMWB’s may be also understating the risk when calculating the present value of future benefits. This should be reviewed and changed as appropriate to ensure AG43 produces a reserve somewhat close to an adequate reserve.
    - Change the standard scenario lapse assumption for VAGLBs other than GMABs to appropriately reflect the risk associated with dynamic policyholder behavior. For an ITM range of 35% to 50% change to a 1% lapse assumption; and if ITM is greater than 50%, then assume no lapses.
    - Update the AG43 calibration criteria to reflect recent increases in market volatility, consistent with changes made by the Canadian regulator OSFI.
    - Similarly, change the AG 43 standard scenario to incorporate a 20% market drop to reflect recent increases in market volatility.
    - Send recommendations to LATF for adoption.
    - Any other short term items for consideration.