

Longevity Risk Task Force Update

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Academy's LRTF Progress Report

Key Activities Since August Update:

- Provided input on updated Asset Adequacy Analysis Practice Note regarding longevity risk assumption setting
- Created three subgroups to further evaluate the following:
 - Specifics on method for calculating RBC charge for longevity risk
 - Calibration of longevity stress based on historical mortality improvement data
 - Evaluation of the potential inclusion of capital associated with major future medical breakthroughs that significantly extend life expectancy
- Discussed LRTF's activities with representatives from the Federal Reserve Insurance Policy Group and the Financial Stability Oversight Committee's Insurance Industry Working Group

Methodology for Recognizing Longevity Risk in Statutory Reserves and RBC

- Guided by work of NAIC Joint LATF/LRBC Subgroup
- Request for LRTF to evaluate:
 - A potential risk charge based on the difference between reported statutory reserves and statutory reserves using stressed mortality
 - A risk charge amount split between:
 - Reserve component = difference between locked in Stat mortality basis and 2016 Stat mortality basis
 - RBC component = difference between 2016 mortality basis and stressed “tail” mortality basis
 - Practicality and other issues that may result in an RBC factor applied to a standard exposure base
- In addition, LRTF has been asked to define an appropriate tail stress event and how to apply in statutory valuation or RBC
- LRTF will focus on methodology; the statistical safety level for the risk charge (i.e., time horizon and confidence level) will be defined by the regulators



Efforts of Academy LRTF Subcommittees

- Calibration of tail stress event based on historical data (in progress)
- Treatment of medical breakthroughs
 - While some experts anticipate significant and rapid progress, the extent of the impact of new life extending technologies in the next 10 years is very uncertain
 - Understanding the potential impact will be improved by directly engaging with the scientific community
 - Tentative position is to exclude the potential effects of medical breakthroughs in the initial phase of establishing a risk charge and consider as a second phase