

Life Practice Council Update

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Life Actuarial Task Force (LATF) Meeting
December 12, 2022

Academy Webinars and Events

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- Recent
 - [Webinar on VM-31 Principle-Based Reserves \(PBR\)](#) Actuarial Report Reviews (Nov. 9)
 - [Annual Meeting—Envision Tomorrow](#) (Nov. 2 – 3)
 - [Inflation webinar](#) (Oct. 29)
 - ASOP No. 22 webinar related to asset adequacy testing—[The Revised ASOP No. 22: What You Need to Know](#) (July 28)
- Upcoming
 - Post-NAIC update on asset topics
 - PBR webinars in 2023

- Presented further input for the newly adopted C-2 mortality factors to the NAIC's Life Risk-Based Capital (E) Working Group
 - An in-depth document on how to classify different products into the new C-2 categories (pricing flexibility vs. without pricing flexibility)
- Provided further input to LATF on transitioning from London Inter-Bank Offered Rate (LIBOR) to Secured Overnight Financing Rate (SOFR), following the adoption of APF 2022-04
 - Worked with NAIC to develop more details around methodology for the transition

Recent Activity (continued)

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- Shared a comment letter for the NAIC's Index-Linked Variable Annuity (A) Subgroup on the nonforfeiture interim value actuarial guideline exposure
- Submitted multiple comment letters on IUL illustrations to the NAIC's Indexed Universal Life (IUL) Illustration (A) Subgroup and Life Actuarial (A) Task Force
- Developed multiple education sessions on economic scenario generators and acceptance criteria for the NAIC's Life Actuarial (A) Task Force
- Provided a proposal for the NAIC's Valuation Manual (VM)-22 (A) Subgroup for exclusion testing on single premium immediate annuities

Academy Life Experience Committee

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- A committee to assist practicing actuaries and regulators with respect to assumptions regarding life insurance and annuity products
- Requesting feedback from regulators as to what topics they would like to be addressed

Reflection of COVID-19 in Mortality Improvement

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- LATF answered question as to the maximum historical and future mortality improvement rates that can be used in PBR
- Academy Life Experience Committee worked on considerations for actuaries in asset adequacy, PBR, and company testing:
 - How does own experience compare?
 - Expectations for future
- Margins used in mortality improvement rates for PBR testing and asset adequacy do not have to be the same, but differences should be justified
 - *Reflection of COVID-19 in Life Insurance Mortality Improvement* (actuary.org)

Discussion Brief on Inflation

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- Meant to provide ideas of what actuaries should consider with respect to current economy when doing PBR and asset adequacy testing, product development and pricing, business planning
- Should consider inflation/economy in terms of
 - Interest rate scenarios
 - Stock market volatility
 - Potential recession
- Provides sources of information on where to find more details
 - *Reflection of Inflation, Interest Rates, Stock Market Volatility and Potential Recession* (actuary.org)

Discussion Brief on Credibility

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- In much of the work actuaries do, there is the concept of relevant and credible experience
- What is relevant and credible, for example:
 - What to consider when using industry data?
 - How many lapses make for credible data?
 - What to do when considering outliers?
- Provides sources of information on where to find more details (includes Valuation Manual, Society of Actuaries, Canadian Institute of Actuaries, Academy and other sources)
- https://www.actuary.org/sites/default/files/2022-12/Credibility_Discussion_Brief.pdf

Discussion Brief on Margins

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- In much of the work actuaries do, they deal with assumptions as to what happens in the future depending on the work done, margins should be added to the best estimate assumption to develop prudent estimates.
- How should margins be determined:
 - Sometimes guidance is given, e.g., the Valuation Manual states that prudent margins should be on all assumptions
 - Some feel that margins should cover X% (e.g. one standard deviation) of past experience
 - Sometimes things are not that clear
- Brief provides sources of information on where to find more details (includes valuation manual, SOA, CIA, Academy, UK and other sources)
- https://www.actuary.org/sites/default/files/2022-12/Margins_Discussion_Brief.pdf

Thank you

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Questions?

- For more information, please contact the Academy's life policy analyst, Amanda Barry-Moilanen, at barrymoilanen@actuary.org.