



SOCIETY OF
ACTUARIES®

ValAct

2024 SOA VALUATION
ACTUARY MEETING

August 25–28 | New York, NY



National Association of Insurance Commissioners (NAIC) Current Events

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SOA Antitrust Compliance Guidelines

Active participation in the Society of Actuaries is an important aspect of membership. While the positive contributions of professional societies and associations are well-recognized and encouraged, association activities are vulnerable to close antitrust scrutiny. By their very nature, associations bring together industry competitors and other market participants. The United States antitrust laws aim to protect consumers by preserving the free economy and prohibiting anti-competitive business practices; they promote competition. There are both state and federal antitrust laws, although state antitrust laws closely follow federal law. The Sherman Act, is the primary U.S. antitrust law pertaining to association activities. The Sherman Act prohibits every contract, combination or conspiracy that places an unreasonable restraint on trade. There are, however, some activities that are illegal under all circumstances, such as price fixing, market allocation and collusive bidding.

There is no safe harbor under the antitrust law for professional association activities. Therefore, association meeting participants should refrain from discussing any activity that could potentially be construed as having an anti-competitive effect. Discussions relating to product or service pricing, market allocations, membership restrictions, product standardization or other conditions on trade could arguably be perceived as a restraint on trade and may expose the SOA and its members to antitrust enforcement procedures.

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- **Do not** discuss prices for services or products or anything else that might affect prices
- **Do not** discuss what you or other entities plan to do in a particular geographic or product markets or with particular customers.
- **Do not** speak on behalf of the SOA or any of its committees unless specifically authorized to do so.
- **Do** leave a meeting where any anticompetitive pricing or market allocation discussion occurs.
- **Do** alert SOA staff and/or legal counsel to any concerning discussions
- **Do** consult with legal counsel before raising any matter or making a statement that may involve competitively sensitive information.

Adherence to these guidelines involves not only avoidance of antitrust violations, but avoidance of behavior which might be so construed. These guidelines only provide an overview of prohibited activities. SOA legal counsel reviews meeting agenda and materials as deemed appropriate and any discussion that departs from the formal agenda should be scrutinized carefully. Antitrust compliance is everyone's responsibility; however, please seek legal counsel if you have any questions or concerns.

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Presentation Disclaimer



The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

For more information, please visit:

www.actuary.org

Topics

- Statutory Reserves
- Risk-Based Capital (RBC)
- Professionalism
- Appointed Actuary Topics

Acronyms Used in this Presentation

- AAT – Asset Adequacy Testing
- APF – Amendment Proposal Form
- ASOP – Actuarial Standard of Practice
- ASPA – Additional Standard Projection Amount
- CSO – Commissioners' Standard Ordinary (mortality table)
- CSV – Cash Surrender Value
- DR- Deterministic Reserve
- GCC – Group Capital Calculation
- HMI/FMI – Historical and Future Mortality Improvement
- IMR – Interest Maintenance Reserve
- LRT – Longevity Risk Transfer
- LTC – Long-Term Care
- LST – Liquidity Stress Test
- NAIC – National Association of Insurance Commissioners
- NPR – Net Premium Reserve
- PHNYA - Projected High Net Yield Assets
- PBR – Principle-Based Reserves
- RBC – Risk-Based Capital
- SOFR – Secured Overnight Funds Rate
- SR – Stochastic Reserve
- WP - Waiver of Premium
- YRT – Yearly Renewable Term (reinsurance)

Statutory Reserves

Asset Adequacy Opinion and Reinsurance

- The Opinion covers all policies
 - Section 2.C.1: “The statement of actuarial opinion must apply to all in-force business on the annual statement date, whether directly issued or assumed, regardless of when or where issued”
- No mention of net of reinsurance
- Understand the implications of reinsurance non-collectability
- Explain in the Memoranda why you are comfortable with this risk

Asset Adequacy and Offshore Reinsurance

- Recent large transactions appear to significantly decrease total reserves and capital
- Regulators are concerned that US policyholders will be unable to receive policy benefits
- Original proposal for Asset Adequacy Testing (AAT) on all asset intensive offshore reinsurance
- Regulators want to know where the money went/goes
- [Asset-Intensive Insurance Ceded Offshore from U.S. Life Insurers \(With Focus on Bermuda\)](#)

AAT and Reinsurance

- [Hold this slide for updates from August NAIC meeting]
- 2024 expectations – specific companies asked to fill out template
- AG for 2025? Further refinements for 2026

AG-53 – Complex Assets and Reinsurance in AAT

- History – Modeling of complex assets was primary concern. Templates on asset characteristics and sensitivity testing.
- 2022 Filings
 - “vast majority...have reasonable net yield assumptions”
 - Nothing recent on guardrails
 - Reinsurance collectability
- 2023 Changes
 - Clarifications
 - Added tabs for structured asset detail and projected asset allocations
- 2024 Considerations

Actuarial Review of Investment Modeling

- Actuaries cannot do blind reliance on asset professionals
- Academy's Life Experience Committee [Resource and Discussion Guide](#):
 - *Actuarial Review of Investments in Actuarial Modeling— A Resource & Discussion Guide*
 - Written in response to increase of insurance companies' investments in complex assets and Actuarial Guideline 53
 - Paper provides sources of information on assets as well as questions actuaries may want to ask investment professionals with regard to the assets to be used in PBR/Asset Adequacy testing
 - Lists sources of information on investments

<https://www.actuary.org/sites/default/files/2023-06/InvestModelGuide6.23.pdf>

VM-20 Amendments Effective YE 2024

- APF 2022-06—Disclose inflation rate assumption
- APF 2022-07—Anticipated mortality worse than CSO
- APF 2022-10—NPR for non-material Secondary Gtee policies
- APF 2023-02—VM-20 Reserve Supplement
- APF 2023-03—Cost of Borrowing, Hedge Modeling, stochastic modeling other than interest & equities
- APF 2023-04—Disclose future anticipated mortality

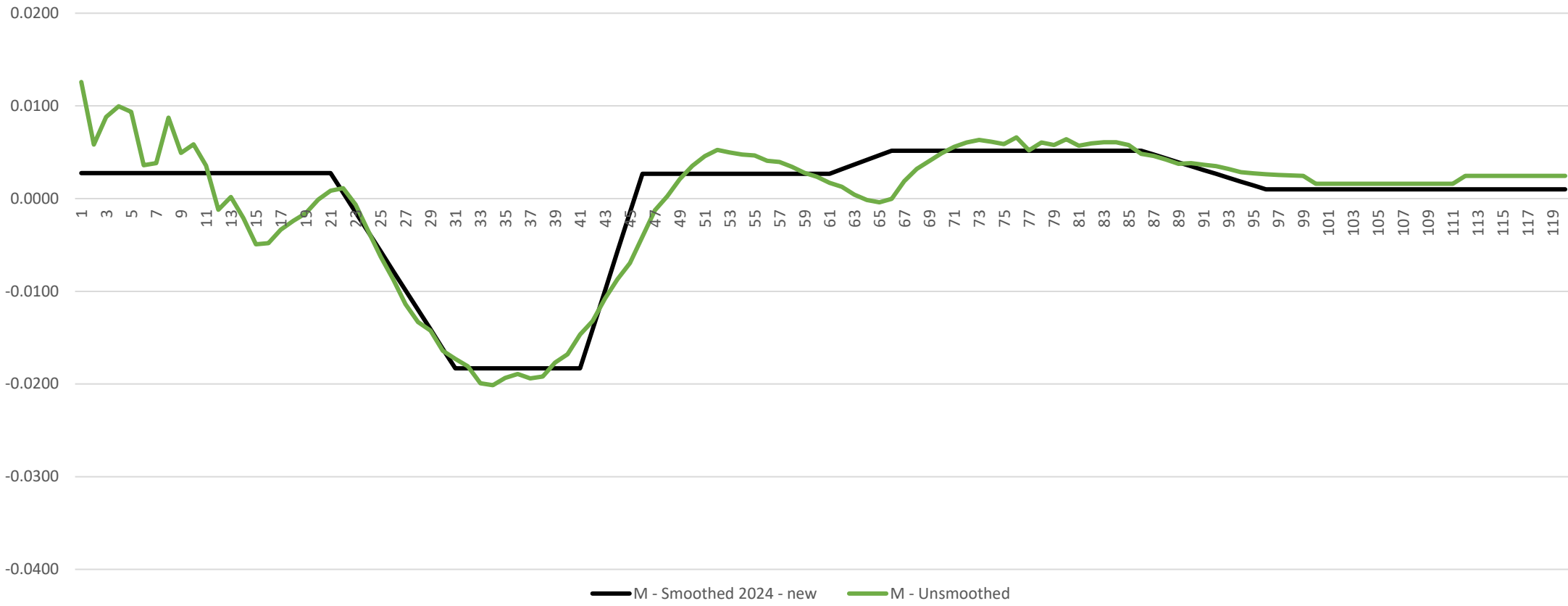
VM-20 Amendments for 2025 VM

- APF 2023-06—NPR Exp Allowance, CSV floor for SR
- APF 2023-08—IMR
- APF 2023-09—HMI & FMI consistency
- APF 2023-10—Discount rate for SR
- APF 2023-13—Non-US mortality
- APF 2024-04—Update Canadian Lapse study (for ULSG)

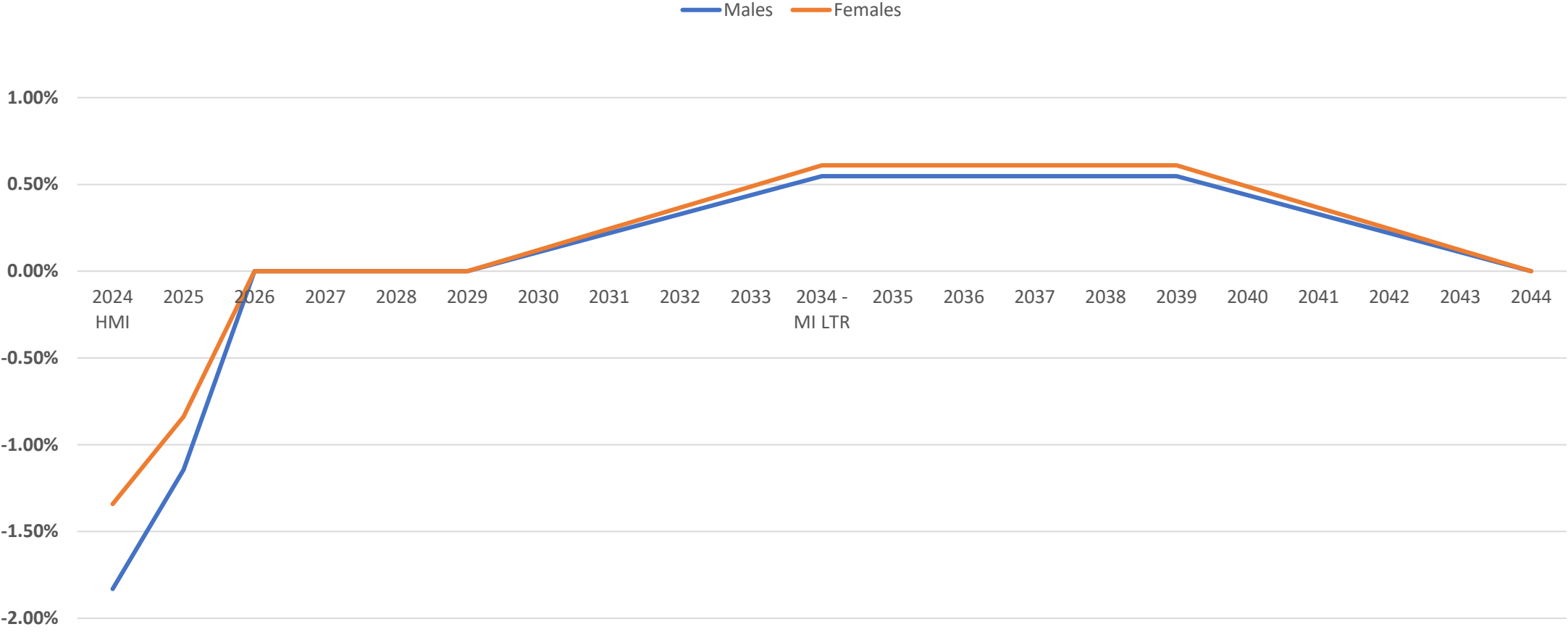
Mortality Improvement – Historical and Future

- Work is being done under the SOA's Mortality and Longevity Oversight Advisory Council (MLOAC)
- **Presentation** was given at the August NAIC Life and Health Task force
- Proposed Historical Mortality Improvement
 - Includes unadjusted COVID-19 deaths
 - Results therefore slightly worse than 2023
- Proposed Future Mortality Improvement
 - Proposed 2024 numbers are similar to 2023
 - Differences in shape of curves
- MLOAC is working on reflecting more industry, as opposed to country data, for the future

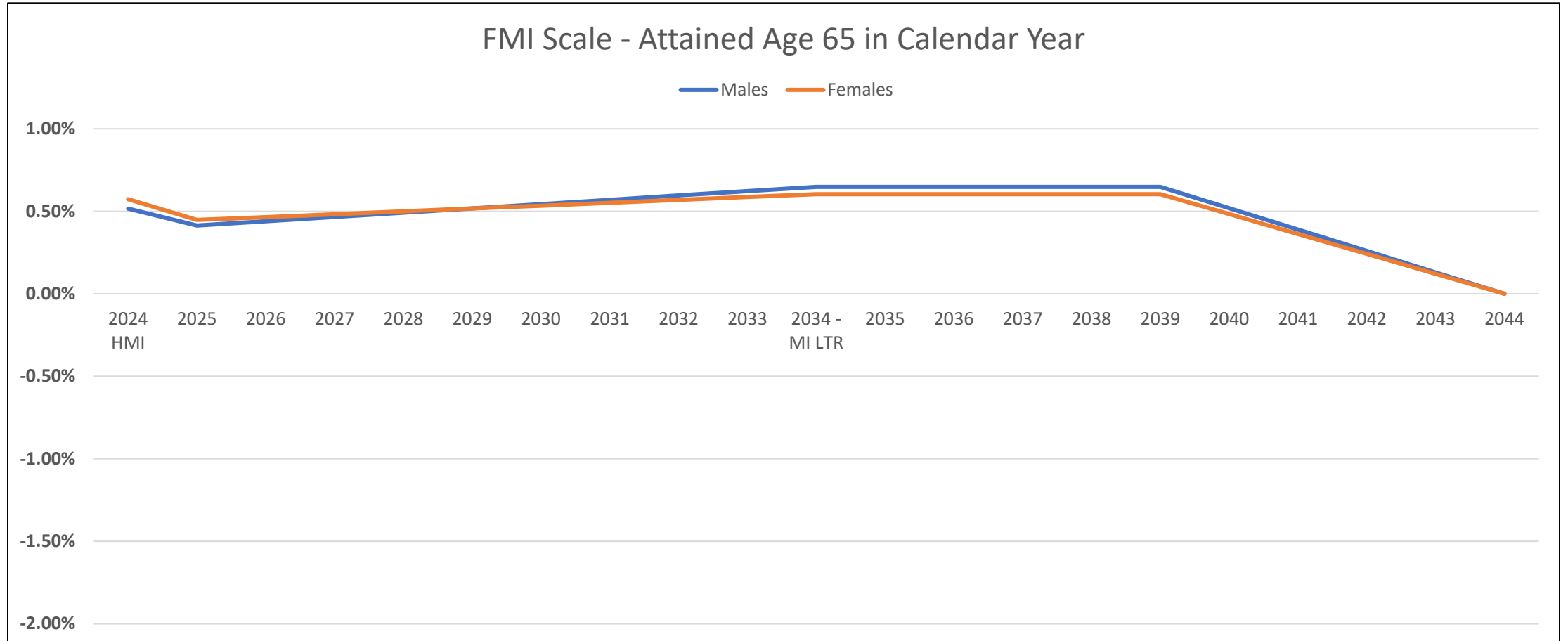
2024 Proposed Historical Mortality Improvement for Males



Future Mortality Improvement Scale – Attained Age 35



Future Mortality Improvement Scale – Attained Age 65



Group Annuity Mortality

- There are regulatory concerns regarding the mortality assumptions for the Pension Risk Transfer Business
 - New companies are getting into the market, may not have relevant and credible mortality
 - Have requested work on new group annuity mortality table
- NAIC is working on a proposal to get data from Companies
 - It appears that 2026 will be earliest data will be ready

VM-21 Amendments Effective YE 2024

- APF 2022-08—Alternative Method VM-G and VM-31 requirements
- APF 2022-09—Use of data prior to valuation date
- APF 2023-01—Starting assets
- APF 2023-03—Borrowing
- APF 2023-05—Index Hedging
- APF 2023-07—Removed CSMP option

VM-21 Amendments Effective YE 2025

- APF 2023-11—Remove RBC references
- APF 2023-13 – Non-US Mortality rates
- APF 2024-07—SPA updates to mortality, expenses, lapses
- APF 2024-08—NAER
- APF 2024-09—PIMR in Stochastic Reserves

VM-31 Reporting Changes

- VM-31 are the reporting changes
- New for 2022:
 - Must add inflation assumption for Life PBR
 - Add more support for certain assumptions: specifically to show compliance with “the company experience mortality rates should not be lower than the mortality rates expected to emerge”
- From the 2022 changes: definition of materiality
 - “The standard is based on the impact relative to the size of the NPR, DR and SR as opposed to the impact relative to the overall financial statement (e.g., total company reserves or surplus).”

[2024 Valuation Manual Amendments PGS FINAL.pdf \(naic.org\)](#)

Regulatory Concerns about PBR

- Not taking PBR seriously if it is a small percent of business
- Underlying experience studies not always included
- New York: need to show Regulation 213 results

VM-22

- Non-VA excluding GICs, Syn GICs, Other SV contracts
- 1/1/2026 targeted effective date for new business with a 3 year transition period (like VM-20)
- Small company exemption
- Three reserve categories; payout, accumulation, and longevity Reinsurance
- VM A/C/V reserve if exemption requirements are met
 - DR, SR
- Hedging
- RBC
- Issues
- Field test

Generator of Economic Scenarios (GOES)

- New generator, targeted effective date is 2026
- Impacts VM-20, VM-21, VM-22, C3P1, and C3P2
- 2023 field test (low participation), 2024 voluntary field test
- Model office results
- Upcoming VM 22 field study

Interest Maintenance Reserve (IMR)

- 2023 Interim solution for negative IMR (INT 23-01)
 - Allow admittance subject to guardrails
 - Hedges, SAs
 - Permitted until 12/31/2025; nullified 1/1/2026.
- NAIC, Academy, ACLI/Industry working on long-term solution
 - Education for all
 - Hedging, SAs, Reinsurance

Other VM Adoptions effective 2024

- APF 2021-08 VM-51 Data Call Lag Time reduced

Experience Reporting Updates

- NAIC is wrapping up data from 2018 and 2019, giving it to SOA for further study
- 2020 and 2021 data still being analyzed
 - Overall data numbers appear to be cleaner than prior submission
 - Detailed data needs to be cleaned up (e.g., the data used to claim all standard issues, now claim all substandard issues)
- For the 2024 reporting calendar year, submissions is of calendar years 2022 and 2023
 - Later years will be of the one prior year
- There is work being done on new VM-51 reporting formats by Mary Bahna-Nolan

Other VM Sections effective 2025

- APF 2023-08 VM-30 Negative IMR
- APF 2023-12 VM-30 Equity Return Volatility
- APF 2024-01 VM-01 Definition of Qualified Actuary
- APF 2024-02 VM-31 VM-G statement moved to Exec Summary
- APF 2024-05 VM-22 Funding Agreement valuation interest rates
- APF 2024-06 VM-22 Non-jumbo interest rates
- APF 2024-10 VM-26 Credit Disability study update

Long-Term Care

- Single LTCI Multistate Rate Review
- Minnesota approach is starting point
- States still concerned about being able to make their own decisions
- Discussions ongoing

Bond Project

- Principles-based bond definition project began in 2020, adopted in 2023, and effective 1/1/2025.
- Revises various SSAPs (e.g., SSAP No. 26R, No. 43R, No. 21R)
- Annual statement changes
- RBC impact

RBC Other

- Residual tranches – 45% factor
- 2024-04 TAC for non-admitted affiliates
- 2024-05 Mortgages (missed last year)
- 2024-13 Updates factors for receivables
- 2024-15 Collateral loans backed by mortgages
- 2024-17 Mortgages (missed last year)
- GCC – Adopted ACLI scalers/methodology

Annual Statement Changes

- NAIC Blanks (E) Working Group
- 2024 and some 2025 changes
- Residual interests, VM 20 supplement, Negative IMR, IMR/AVR, C-2 RBC

Helpful Websites

NAIC Sites

[PBR Data \(naic.org\)](#)

- Current Valuation Manual: [Current Valuation Manual](#)
- Redline Version of Valuation Manual: [Redline Version of Current Valuation Manual](#)
- Amendments Adopted: [Amendments adopted for 2024 VM](#)

[Life Actuarial \(A\) Task Force](#)

- Contains meeting info, exposure drafts, other documents

NAIC Resources

- [PBR Data \(naic.org\)](https://www.naic.org)
 - Future, current, past Valuation Manuals
 - Redline for current to immediately prior VM
 - Amendments and Maintenance Agenda
 - VM-31 Templates required)
 - Asset Tables (swap rates, default spreads, etc.)
 - Economic Scenarios (stylized facts, acceptance criteria)
 - Experience Reporting
 - SOA published data (HMI/FMI, Relative Risk Tables)

PBR in Practice

- [PBR in Practice | American Academy of Actuaries \(actuary.org\)](https://www.actuary.org/pbr-in-practice)
 - Academy Tool Kit
 - (non-prescribed) templates for Reporting
 - NAIC Resources
 - Academy Practice Notes
 - Other Links

Academy Life Experience Committee

- Academy Committee works with the SOA regarding experience studies, particularly where it concerns issues that come before the Life Actuarial Task Force of the NAIC related to life actuarial assumption development and experience studies
- This Committee also works to get information to actuaries by reviewing research and writing papers on topics of current interest to actuaries

Academy Life Experience Committee Resource and Discussion Guides

- Fixed Index Annuities currently in the works
- [Utilization Assumptions of Guaranteed Living Benefits for Deferred Annuities](#)
 - Gives descriptions of various **Guaranteed Living Benefits** (GLBs), Data Sources
 - Discusses assumption structure and modeling approach
 - Discusses Timing of when GLB Utilization Begins, included never-utilize considerations
 - Provides sample utilization formula and sample table
 - Provides some sources of information
- Other Resource and Discussion Guides
 - [Reflecting COVID-19 in life insurance mortality \(actuary.org\)](#)
 - [Margins Discussion Brief \(actuary.org\)](#)
 - [Credibility Discussion Brief \(actuary.org\)](#)
 - [LEC Discussion Brief Inflation \(actuary.org\)](#)
 - [Actuarial Review of Investments in Actuarial Modeling \(actuary.org\)](#)

Practice Notes

- Practice Notes
 - LTC Combination Products
 - VM-21 Practice Note Supplement Exposure Draft
 - Common Practices of Examining Actuaries Involved in Statutory Financial Solvency Examinations of Life and Health Insurers (Including Considerations for Principle-Based Reserves)
 - Life Principle-Based Reserves (PBR) Under VM-20 (2020 Updated)
 - Principle-Based Approach Projections Practice Note
 - Model Governance Practice Note
 - Etc.

Professionalism

Revised ASOPs Taking Effect Soon

- Sept. 15, 2024 – ASOP No. 40 (life – X Factors)
- Oct. 1, 2024 – ASOP No. 36 (casualty – Opinion on Loss Reserves)
- Oct. 1, 2024 – ASOP No. 28 (health – Opinion on Health Liabilities and Assets)
- Jan. 1, 2025 – ASOP No. 27 (pension – Assumptions for Pension Obligations)

Actuarial Standards Board – In progress

- General Committee
 - ASOP No. 41—Actuarial Communications
 - ASOP No. 12—Risk Selection
- Enterprise Risk Management Committee
 - ASOP to replace 46 & 47—Enterprise Risk Management (exposed)

Actuarial Standards Board—Life Committee

- Adopted
 - ASOP No. 40 — X Factors
- Exposed
 - ASOP No. 24 — Life Insurance Illustrations
 - ASOP No. 7— Cash Flow Analysis
- Drafts coming soon
 - Reinsurance Pricing ASOP

Actuarial Standards Board—Health Committee

- Adopted
 - ASOP No. 28 — Statements of Actuarial opinion Regarding Health Insurance Assets and Liabilities
- Exposed
 - ASOP No. 7— Cash Flow Analysis
- Coming Soon
 - Reinsurance Pricing ASOP
 - ASOP No. 6 - Retiree Group Benefits
 - ASOP No. 49 – Medicaid Managed Capitation Rates

US Qualification Standards

- Updated Jan. 1, 2022
- Broadens Scope
 - Applies to any actuary practicing in the U.S.
 - Applies even if credentials lapse
- Updated Education Requirements
 - Subject Area Knowledge
 - Bias Topics

A Final Thought on Professionalism

- Go Read ASOP No. 11
- Reinsurance topics are hot
 - Guidance is available
 - Know what you need to consider
 - Know what you need to disclose

Appointed Actuary Topics

2024 Year-end Testing Issues

- Complex assets
- Reinsurance, particularly overseas and/or ultimately to private equity firms
- Long Term Impact of COVID-19
- Inflation
- Compare AAT Assumptions & PBR Assumptions

Life & Health Valuation Law Manual

- Gives summary of each state's valuation requirements
- Provides one-source reference for applicable actuarial guidelines and NAIC model regulations
- 2024 Life and Health Valuation Manual available at [2024 Life & Health Valuation Law Manual Preorder Form | American Academy of Actuaries \(actuary.org\)](https://www.actuary.org/2024-life-and-health-valuation-law-manual-preorder-form)

For the 2025 version, look for Life & Health Valuation Law Manual on <https://www.actuary.org>

State Requirements/Differences

- Need to follow state requirements; some states will accept state of domicile
- Can file separate opinions/memoranda in different states (state of domicile filed with NAIC)
- California has LTC questionnaire

New York (NY) Special Considerations Letter

- Changes from 2023
 - Gives details of what a company must provide if it requests aggregation across lines of business
 - Clarifies what expenses must be included in asset adequacy testing
 - Modeled expenses should be based on Exhibits 2 and 3 of Annual Statement
 - Clarifies how the maximum net yield pick up spread rates are calculated
 - States that requirements on lapses applies to both group and individual deferred fixed and deferred annuities
- Other comments
 - Regulation 213 results on PBR products must be disclosed
 - If use earlier date, must file based on 12/31/2024 date by June 1 and post any extra reserves in 2nd quarter

2024 Letters can be found at:

https://www.dfs.ny.gov/apps_and_licensing/life_insurers/industry_letters_surveys_more_domestic

https://www.dfs.ny.gov/apps_and_licensing/life_insurers/industry_letters_surveys_more_foreign

American Academy of Actuaries

Life & Health Qualifications Seminar Nov. 4-7, 2024

- A succinct and effective way to fulfill some of the important requirements to sign statutory opinions for Life and Health Annual Statements
 - Topics include reserve valuation, nonforfeiture, RBC, and professionalism
 - Applicable economic, regulatory, and legal environments
 - The identification, evaluation, and management of risk
- May help fulfill Basic Education requirements that may not have been met through SOA examinations
- Can serve as a source of continuing education (CE) for more experienced actuaries
- A good overview of appointed actuary work

Info can be found at <https://www.actuary.org/lhq2024>

Questions?

For more information, please contact Amanda Barry-Moilanen
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- Add Evaluation link