

# LOW-INTEREST RATE TASK FORCE

Readiness & Advocacy Subcommittee – Meeting #6

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# AGENDA

<b>STATUS UPDATE</b>	5 minutes
<b>REGULATORY PROGRESS UPDATE</b>	15 minutes
<b>READINESS PROGRESS UPDATE</b>	10 minutes
<b>SPRINT UPDATE: NEW BUSINESS SURVEY – INITIAL RESULTS</b>	25 minutes
<b>OPEN DISCUSSION AND NEXT STEPS</b>	5 minutes

APPENDIX 1: NEW BUSINESS SURVEY – DETAILED RESULTS

APPENDIX 2: ADVOCACY PRIORITIES

APPENDIX 3: TASK FORCE & SPRINT PARTICIPANTS

# STATUS UPDATE: STATUS & REVISED WORKPLAN

- Our accelerated timeline has resulted in progress on several efforts:
  - Launched sprints on high-priority issues and identified initial findings
  - Developing surveys to provide additional context on industry practices
- Several efforts are ongoing:
  - ACLI Technical committee working through language and prepping to launch regulatory priorities
  - Holding sprint follow up meetings over the next two weeks
- Near-term meeting cadence:
  - Weekly Readiness/Regulatory Sub-Committee meetings (Thursdays at 3pm)
  - Bi-weekly Task Force SteerCo meetings (next meeting: 4/24)

# REGULATORY: ADVOCACY PRIORITIES

Executive committee call on 3/25 approved near term priorities; detailed status of advocacy priorities in appendix

## Near-term priorities (~45 days)

- Address product-specific requirements that are not workable in a very low rate environment
  - 7702 (Federal)
  - Life non-forfeiture (NAIC/State)
  - Annuity non-forfeiture (NAIC/State)
- Flooring reserving rate at zero in the event of negative interest rates (NAIC/State)
- Potential roadblocks to new business in a limited face-to-face environment (e-signature, underwriting, others)
- Changes to RBC factors
  - C-1 (e.g., delinking bond and real estate factors to accelerate real estate timeline)
  - C-2 (e.g., postponing addition of longevity factor until mortality factors are updated, ensuring inclusion of covariance factor)
- Repurposing NAIC's LST away from hypothetical examples and using COVID-19 as the stress
- Getting NAIC guidance on the impact of mortgage forbearance on Statutory Accounting and RBC

## Longer-term areas for focus (this year)

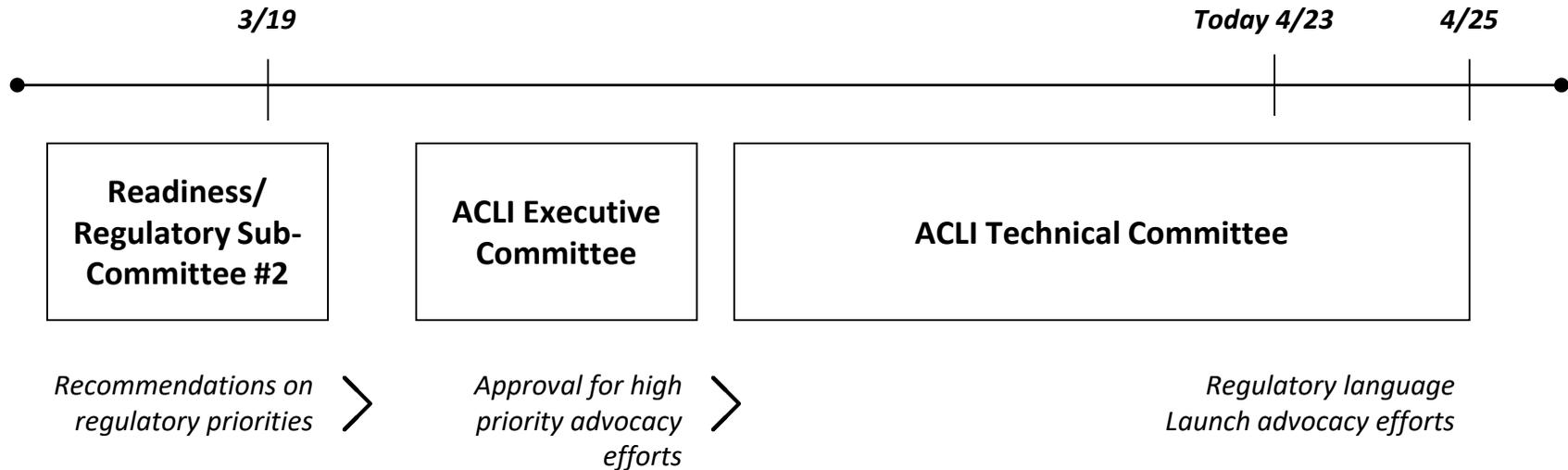
- Delays to new requirements with significant resource demands
  - GAAP LDTI
  - Others?
- Path to ensure regulatory bandwidth does not prevent required updates to product filings
- Additional guidance on AAT/CFT (preference to maintain discretion by appointed actuary)

## No action or lower priority

- NAIC ESG (viewed as sufficiently long horizon)

# REGULATORY: NEXT STEPS & TIMELINE

## Timeline



## Next steps

- ACLI technical committee to work through regulatory language and launch advocacy efforts

# READINESS: LAUNCHED SPRINTS ON HIGH-PRIORITY TOPICS

## Process update

- Initial meetings have been held for each sprint, focusing on:
  - Agreeing on **key challenges** that life insurers are facing in light of current market conditions
  - Identifying **emerging best practices** in response to these challenges
- We have identified initial views and challenges for each of the sprints
- We are launching surveys for selected sprint topics (e.g., COVID-19 mortality, CFT, New business, ALM)
  - Surveys being developed in partnership with SOA
- We have completed the **New business survey** and have **initial results for discussion today** (see next slides and appendix)
- Sprint follow-up calls to be held over the next two weeks

## Sprint topics

- Cash flow testing – survey completed
- COVID-19 mortality – survey completed
- VA/FIA hedging – sprint meeting held 4/9
- New business & products – survey completed
- ALM – survey launched
- Social distance & distribution – sprint meeting held 4/10

# NEW BUSINESS SURVEY: INITIAL FINDINGS

Section	Key findings
<b>01 Top concerns for new business</b>	<ul style="list-style-type: none"> <li>• Around 90% of insurers cited distribution challenges and new business profitability as concerns in light of recent events, and nearly 2/3rds of respondents listed one of these as their top concern</li> <li>• Insurers are also concerned about the profitability of their in-force book, as well as pressure on their balance sheet (~20% listed reserves and capital as a top concern); liquidity was not a top concern</li> <li>• Nearly half of respondents listed customer value proposition and product design as concerns, but these concerns generally ranked behind more near term issues</li> <li>• Recent events have put a strain on pricing and product teams</li> </ul>
<b>02 Pricing and underwriting</b>	<ul style="list-style-type: none"> <li>• Declining government bond rates are a common concern for insurers across all product categories</li> <li>• Other factors such as increased cost of hedging, credit spreads, and underwriting are major concerns for certain products</li> <li>• There is a general trend of insurers reviewing pricing more frequently, moving from monthly to weekly for annuities or from semi-annual or annual reviews to quarterly or monthly reviews for permanent life products</li> <li>• Firms have taken action by instituting pricing controls, changing pricing assumptions, and updating hurdle rates</li> <li>• Social distancing has caused insurers to turn to alternative underwriting solutions, replacing medical exams with APS's, digital screenings, and historical health records</li> <li>• The most common requests for regulatory relief are for an updated 7702 rate floor and decreases to non-forfeiture rates</li> </ul>
<b>03 Product changes</b>	<ul style="list-style-type: none"> <li>• Many firms have introduced changes for product administrative procedures, including shortening product change windows, changing maximum premiums allowed, and increasing the frequency of field notifications</li> <li>• Firm have changed or are considering changing product features (non-guaranteed features and guarantees), and some have placed new restrictions on certain products</li> </ul>

# OVERVIEW & COMPANY DEMOGRAPHICS

## Survey context

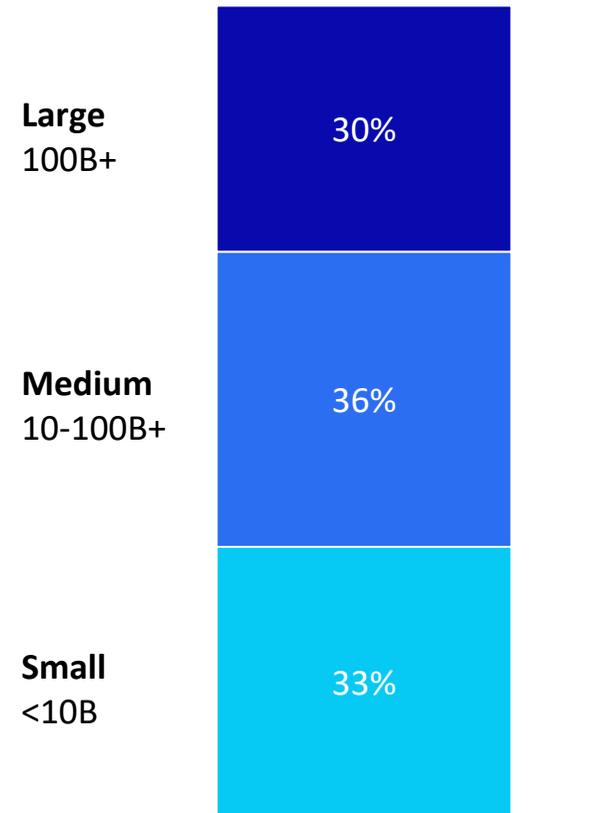
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- Objectives**
- Primary focus is on the impact of current market conditions on sales and the issuing of new business
  - Secondary focus is to understand range of industry practices for new business

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- Respondents**
- 33 respondents working at life insurers (one response per company)
  - Range of functions including actuarial, product management and pricing

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- Approach**
- Multiple choice, rating, or free-response questions
  - Survey in field April 15-22<sup>nd</sup>, 2020
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## Respondents by company size (n = 33)

Total assets, USD BN\*

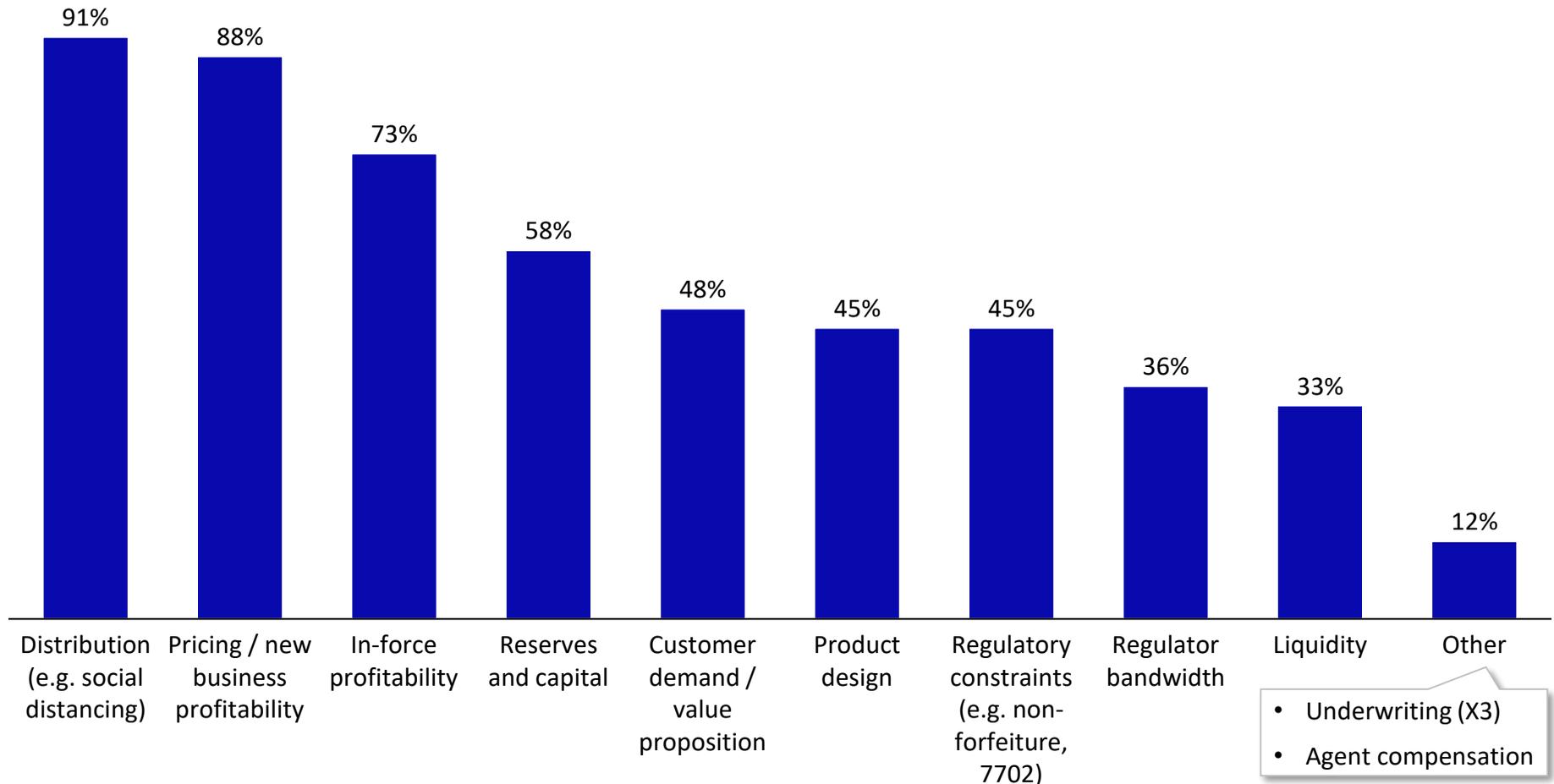


Source: S&P Global Intelligence

\* Large companies (100+BN); Medium companies (10-100BN); Small companies (<10BN)

# INSURERS HAVE CONCERN ACROSS SEVERAL NEW BUSINESS CONSIDERATIONS IN LIGHT OF COVID-19 AND RECENT MARKET CONDITIONS

**Question 1:** Please indicate **which of the following factors is a concern** to your organization regarding new business in light of COVID-19 and recent market conditions? (please select all that apply) (n = 33)



# NEW BUSINESS PROFITABILITY AND DISTRIBUTION WERE THE TOP CONCERNS FOR MANY INSURERS, BUT SOME CITED RESERVES AND CAPITAL AS THEIR TOP CONCERN

**Question 2:** Please rank the following factors according to your organization's level of concern regarding new business in light of COVID-19 and recent market conditions. (n = 33)

## Key takeaways

Around 90% of insurers cited distribution challenges and new business profitability as concerns in light of recent events, and nearly 2/3rds of respondents listed one of these as their top concern

Insurers are also concerned about the profitability of their in-force book, as well as pressure on their balance sheet (~20% listed reserves and capital as a top concern); liquidity was not a top concern

Nearly half of respondents listed customer value proposition and product design as concerns, but these concerns generally ranked behind more near term issues

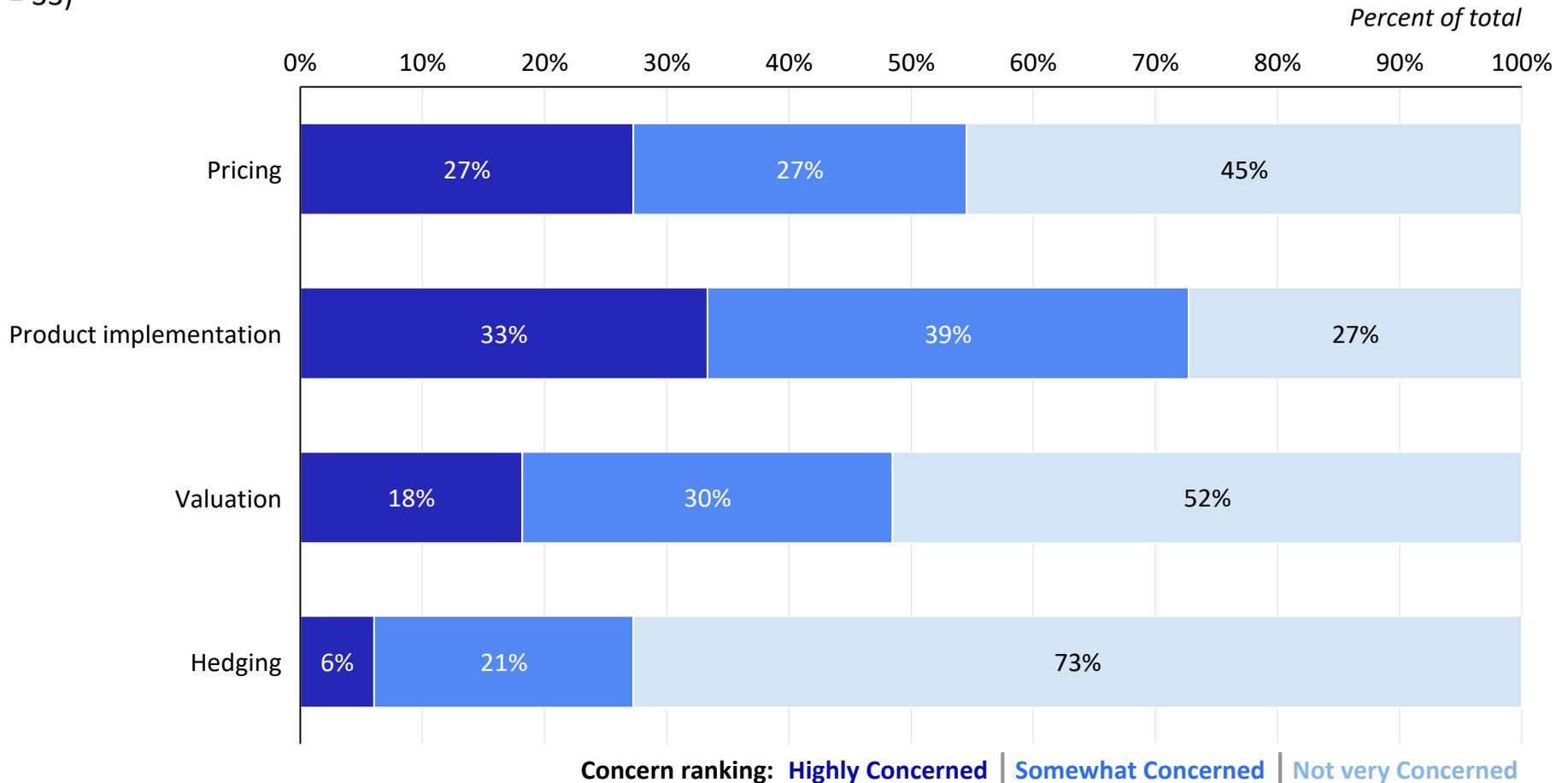
Concerns	% concerned
Distribution (e.g., social distancing)	91%
Pricing / new business profitability	88%
In-force profitability	73%
Reserves and capital	58%
Customer demand / value proposition	48%
Product design	45%
Regulatory constraints (e.g. non-forfeiture, 7702)	45%
Regulator bandwidth	36%
Liquidity	33%

Count of rankings by category

	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup> +
Distribution (e.g., social distancing)	10	8	3	9
Pricing / new business profitability	11	6	4	8
In-force profitability	3	7	6	8
Reserves and capital	6	2	1	10
Customer demand / value proposition	1	1	7	7
Product design	0	0	5	10
Regulatory constraints (e.g. non-forfeiture, 7702)	2	2	1	10
Regulator bandwidth	0	1	2	9
Liquidity	0	2	1	8

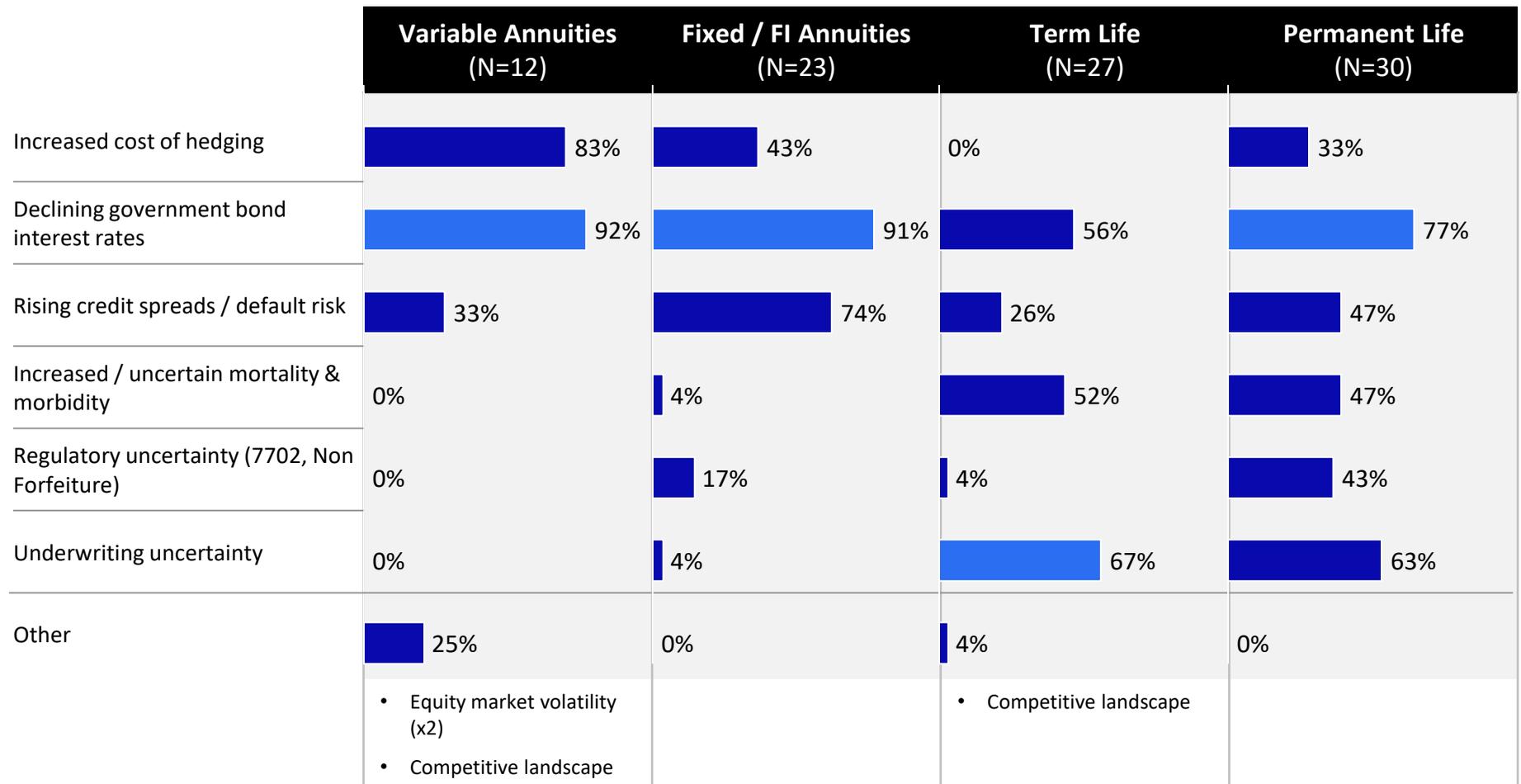
# FIRMS ARE BANDWIDTH-CONSTRAINED ACROSS MULTIPLE TEAMS, ESPECIALLY PRODUCT AND PRICING TEAMS

**Question 16:** How much are you **concerned about team bandwidth** with the increased need to make pricing and product changes compared to business as usual? Please indicate level of concern for each of the following functions. (n = 33)



# DECLINING INTEREST RATES IS THE MOST COMMONLY CITED ISSUE THAT HAS CHALLENGED PRICING ACROSS PRODUCT TYPES

**Question 6:** Please indicate which of the following factors have challenged your organization's pricing in the current environment.

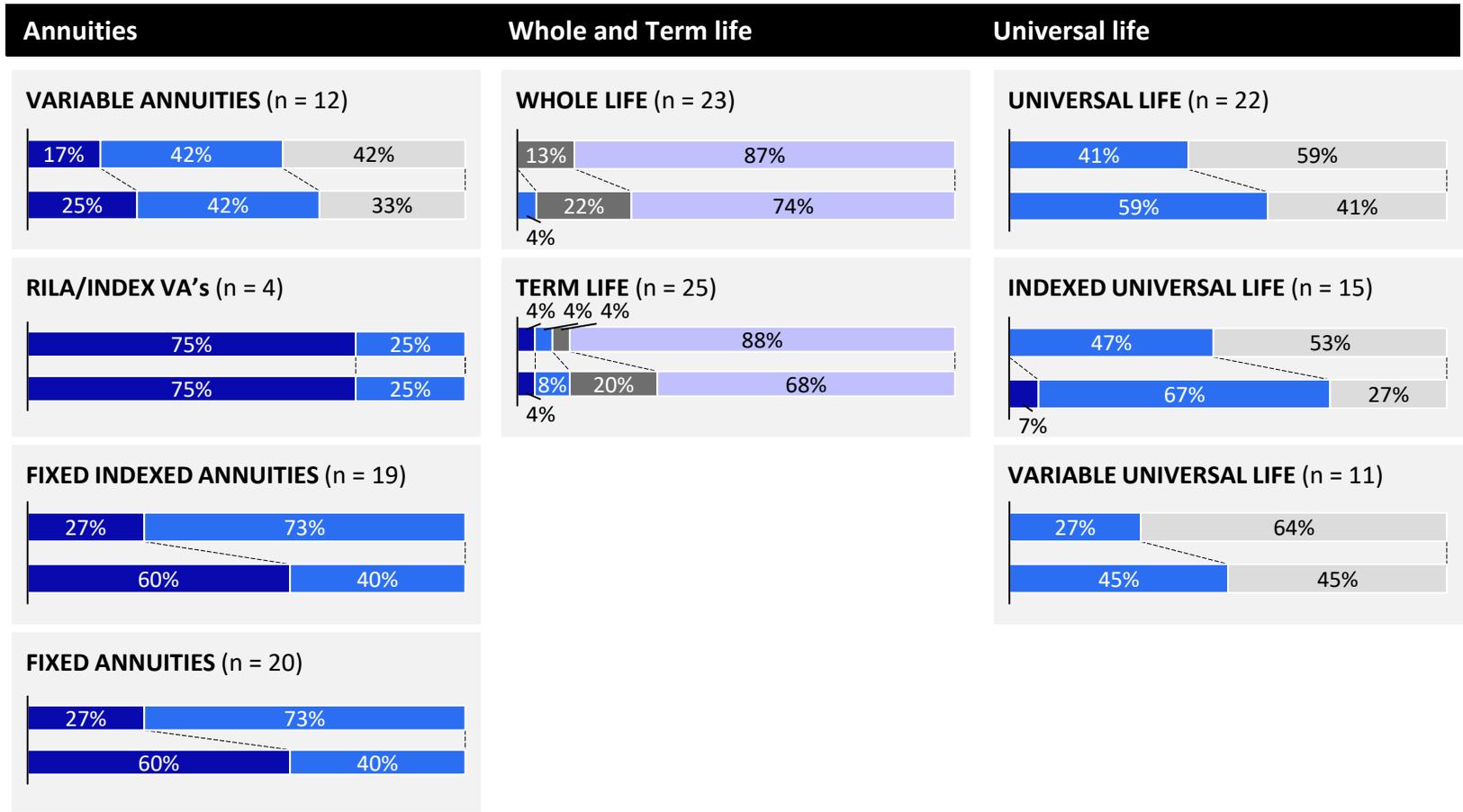


Note: light blue represents most cited concern for each product

# INSURERS HAVE BEGUN TO REVIEW PRICING, CREDITING RATES, AND CAP RATES MORE FREQUENTLY

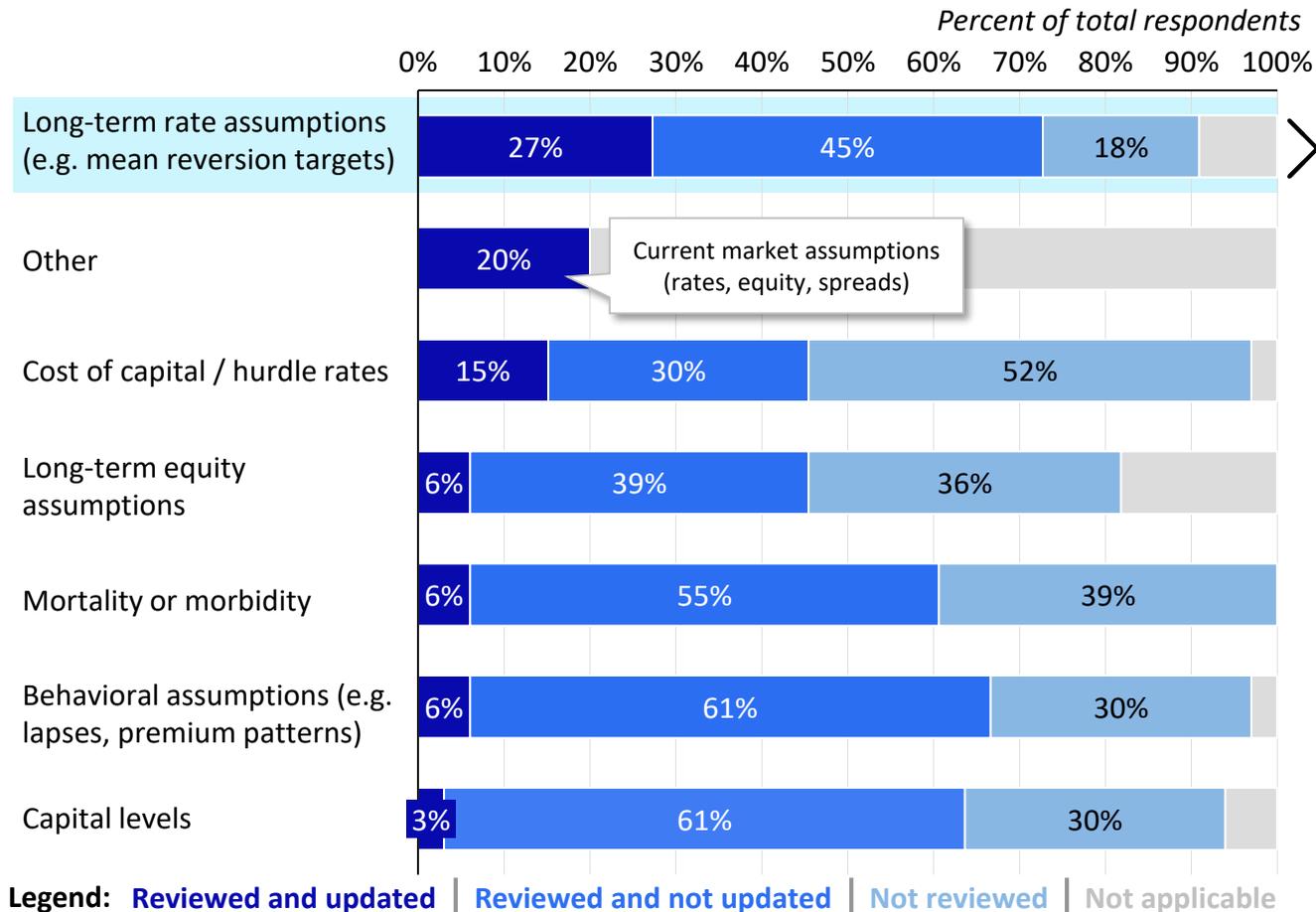
**Question 4:** How frequently did you typically review pricing/crediting rates/cap rates on new policies before COVID-19, and how frequently do you review pricing now?

Frequency of pricing/crediting/cap rate reviews: ■ Weekly ■ Monthly ■ > Monthly ■ Quarterly ■ > Quarterly



# MOST FIRMS HAVE REVIEWED MAJOR PRICING METRICS, BUT FEW HAVE CHANGED ASSUMPTIONS

**Question 8:** Has your organization **reviewed and/or updated** any of the following **assumptions** in response to recent market conditions? (n = 33)

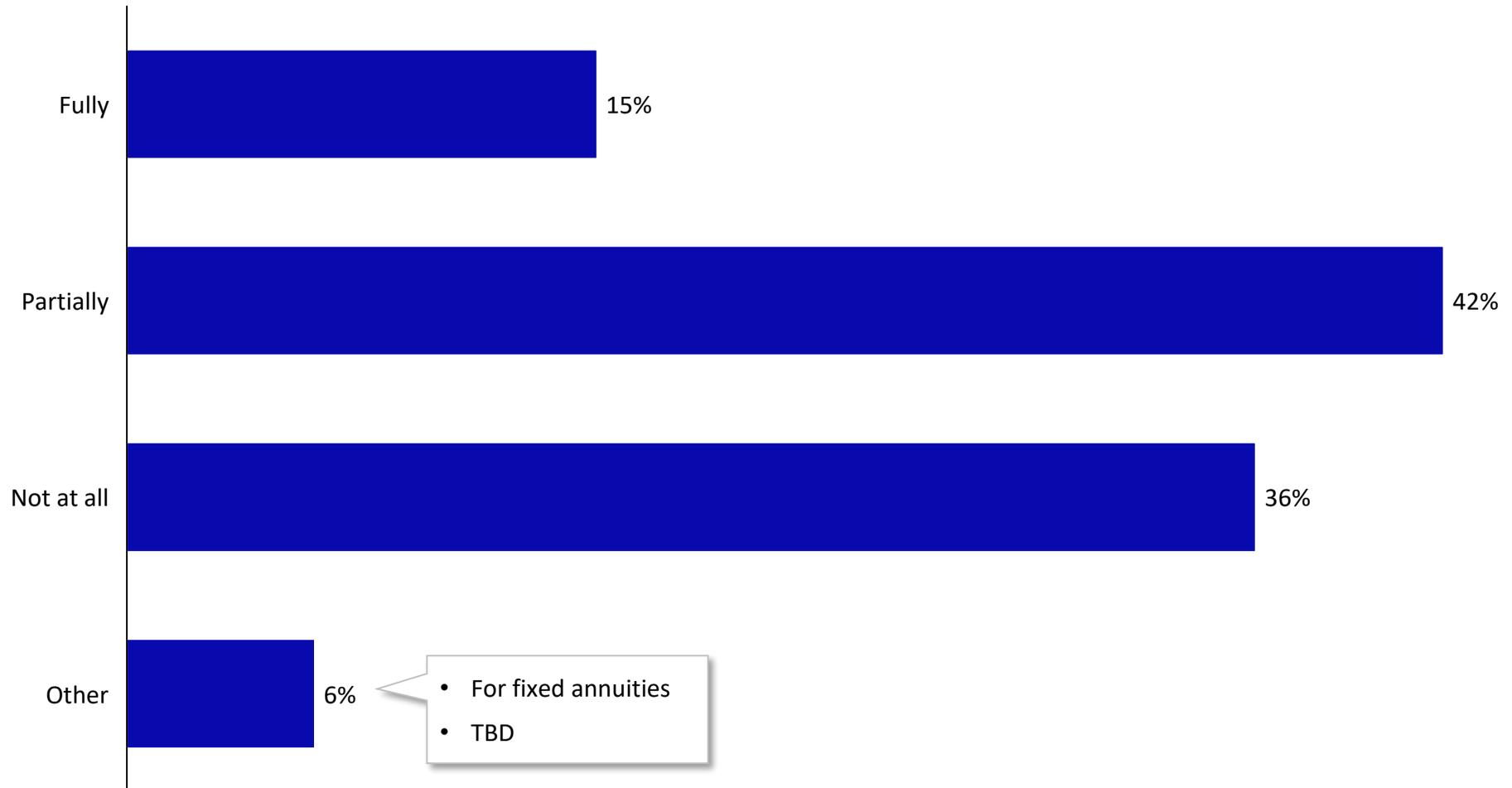


## Focus: long-term rate assumptions

- Of the 9 firms who updated rate assumptions:
  - 8 reduced ultimate rate
  - 3 lengthened reversion period
  - 2 shortened reversion period

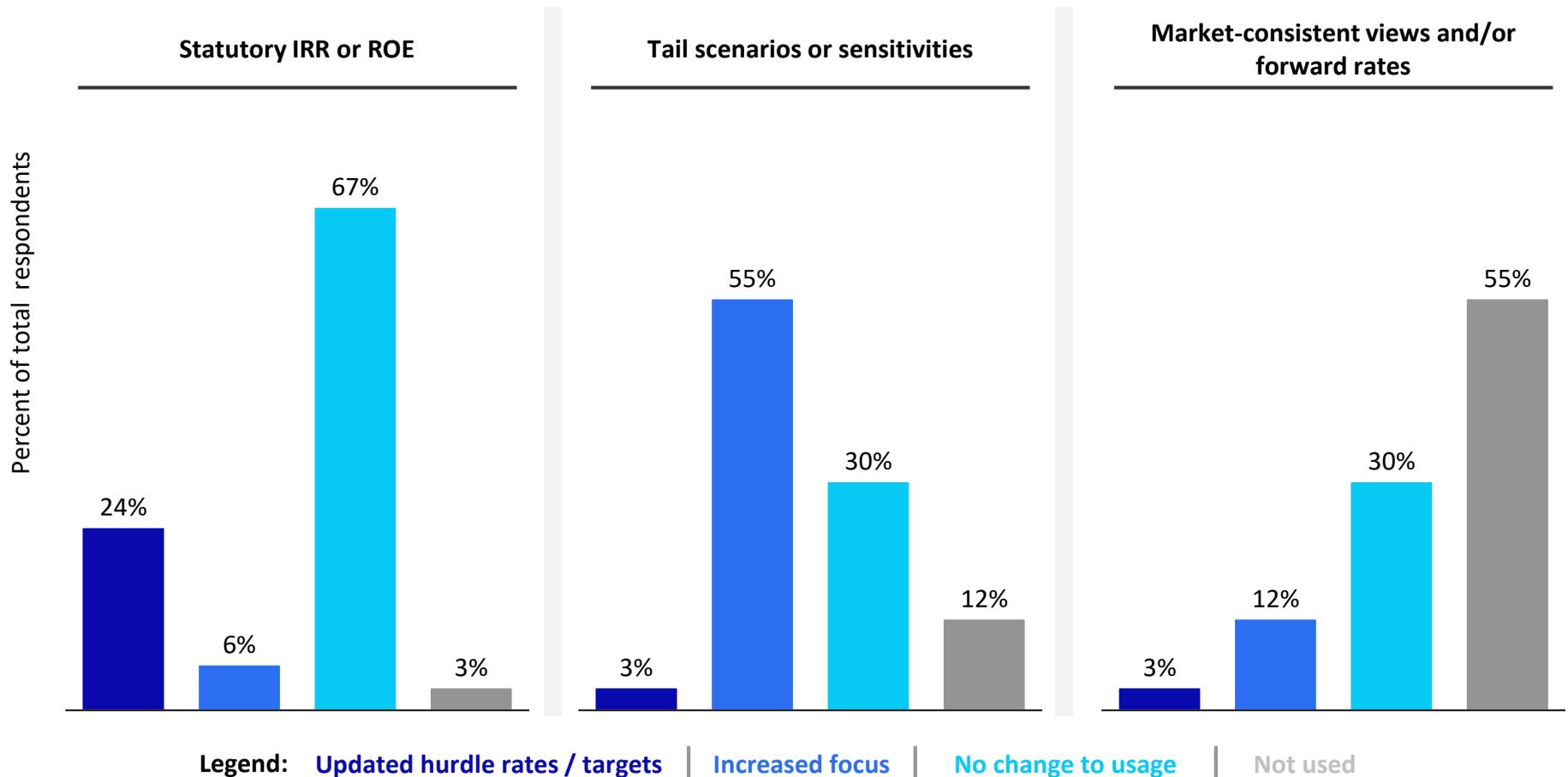
# MOST FIRMS ARE PARTIALLY PASSING CREDIT SPREADS THROUGH TO PRICING, OR NOT PASSING THEM THROUGH AT ALL

Question 11: To what extent are you passing widening credit spreads through to pricing? (n = 33)



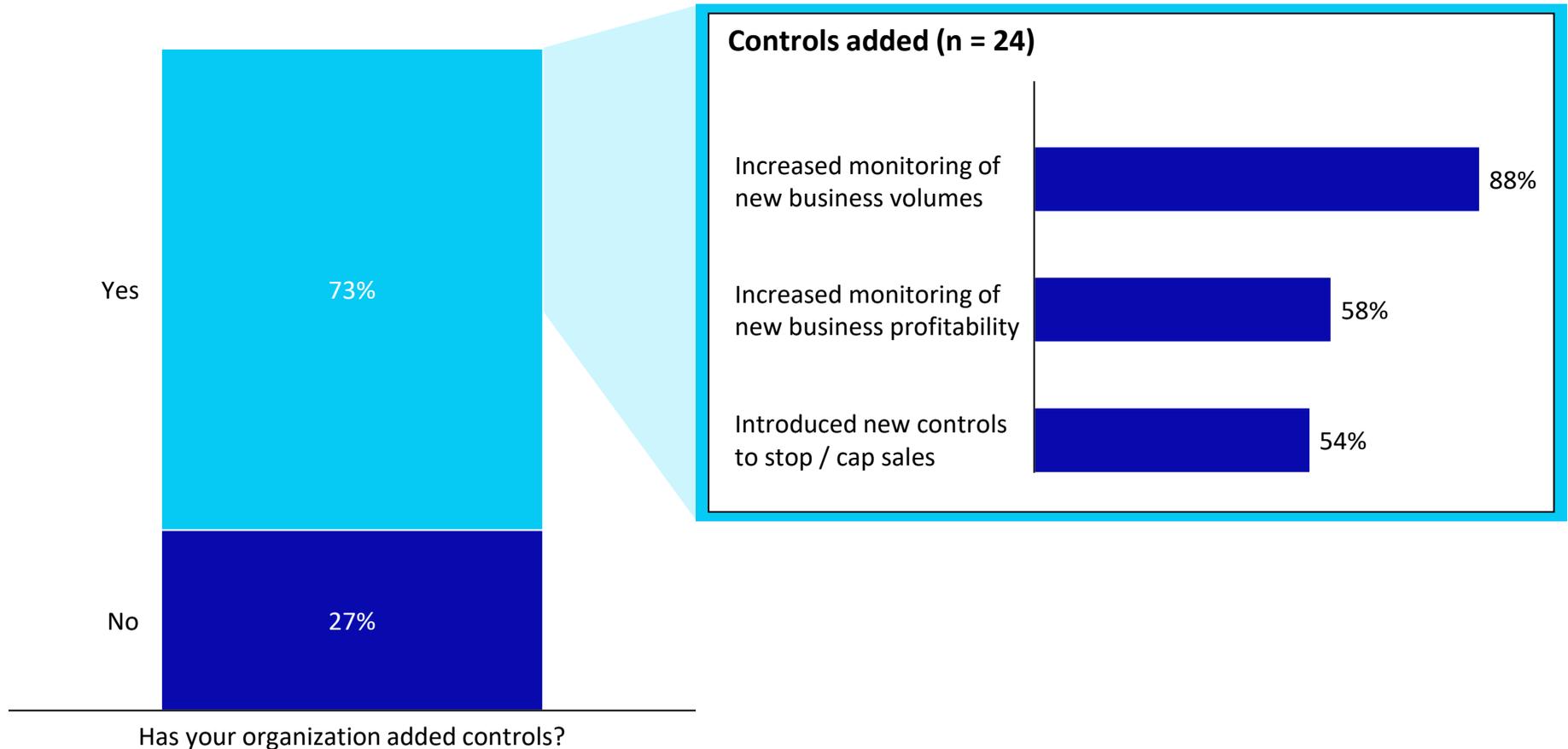
# SOME FIRMS HAVE UPDATED IRR / ROE HURDLE RATES AND TARGETS, AND MANY ARE INCREASING THEIR FOCUS ON TAIL SCENARIOS OR SENSITIVITIES

**Question 7:** Has your organization changed any of the following pricing metrics in response to recent market conditions? (n = 33)



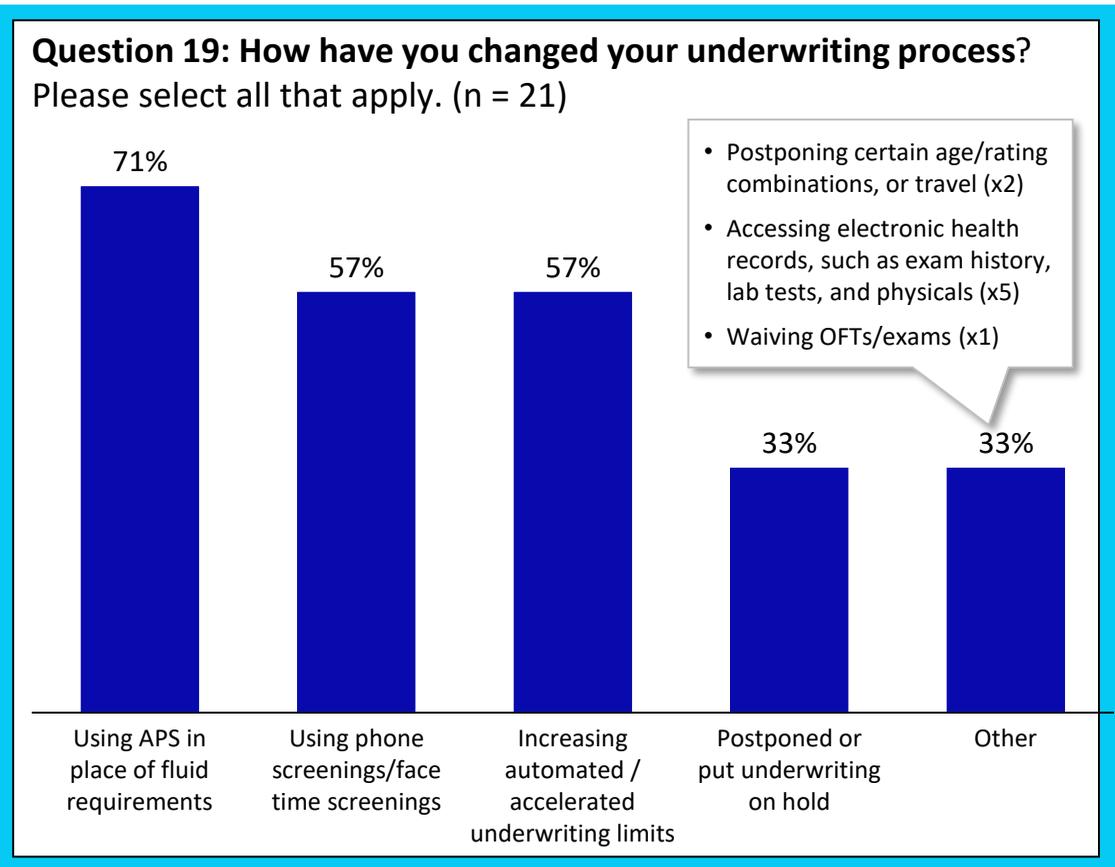
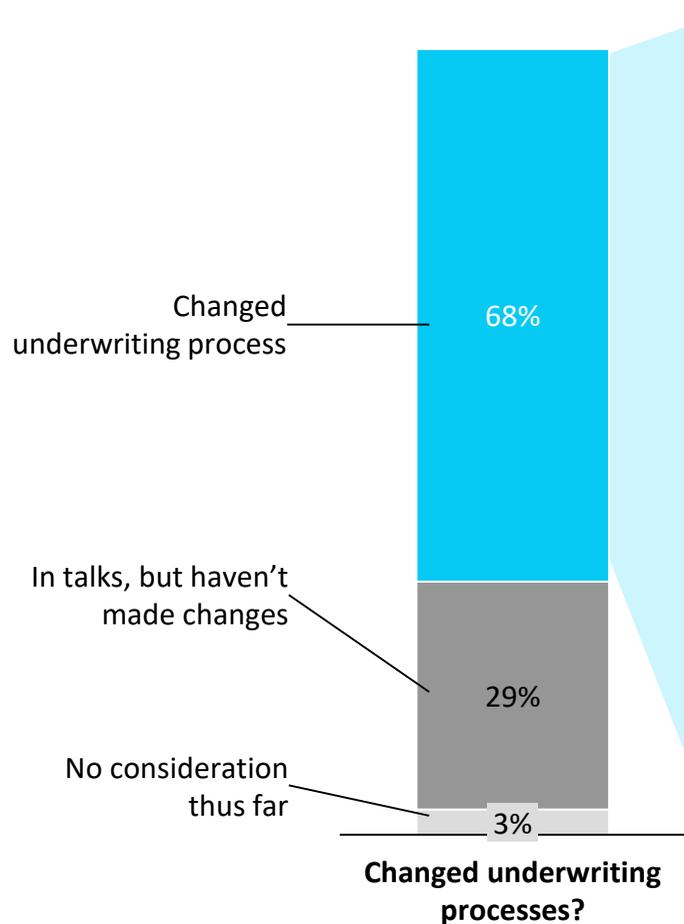
# THREE QUARTERS OF FIRMS SURVEYED HAVE ADDED CONTROLS ON NEW BUSINESS SALES TO MITIGATE PRICING RISK

**Question 5:** Has your organization **added controls for writing new business**, given market volatility and lead times to change pricing? (n = 33)



# FIRMS THAT HAVE CHANGED UNDERWRITING PROCESSES HAVE TURNED TO LESS STRINGENT REQUIREMENTS THAT REDUCE NEED FOR DOCTORS VISITS

**Question 18:** Regarding the potential lack of access to underwriting results, which of the following best describes your current situation? (n = 29)



# SOME FIRMS HAVE RESTRICTED ACCESS OF PRODUCTS FOR SPECIFIC AGE GROUPS AND RECENT TRAVELERS

**Question 15:** What other **product changes or restrictions** have you made or are you considering? (n = 33)

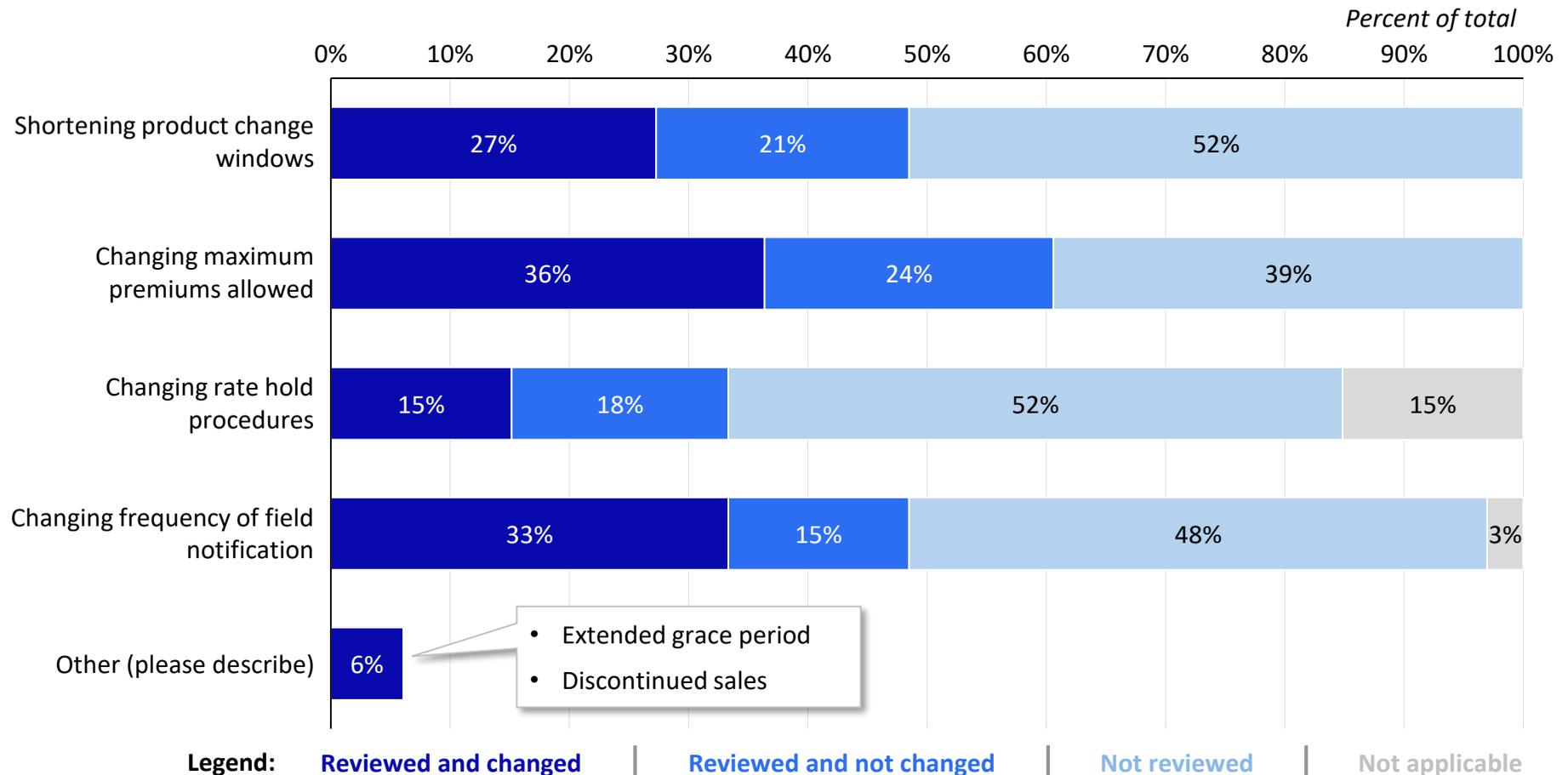
Adjustment	Have made change	Have considered change	Have not considered change	Not relevant
Restricting life and health products for recent travelers to specific countries	55%	18%	18%	9%
Restricting life and health products for age groups	48%	21%	21%	9%
Restricting life and health products for specific US geographies	3%	21%	67%	9%
Repricing life and health products for COVID mortality and morbidity	0%	24%	67%	9%
Excluding COVID-related mortality and morbidity	0%	15%	70%	15%

## Other changes or restrictions noted

- Re-underwriting for any COVID related activity not disclosed on application
- Adjusting underwriting standards to reflect extra mortality risk and underwriting disruptions due to social distancing (X8)

# MANY FIRMS HAVE REVIEWED PRODUCT CHANGE PROCEDURES, AND SOME HAVE IMPLEMENTED CHANGES

**Question 14:** What **changes** have been made to your organization's **administrative procedures** in light of the COVID-19 pandemic and current market conditions? (n = 33)



# FIRM HAVE CHANGED OR ARE CONSIDERING CHANGING PRODUCT FEATURES, AND SOME HAVE PLACED NEW RESTRICTIONS ON CERTAIN PRODUCTS

**Question 15:** What other **product changes or restrictions** have you made or are you considering? (n = 33)

Adjustment	Have made change	Have considered change	Have not considered change	Not relevant
Adjusting non-guaranteed elements	52%	24%	21%	3%
Adjusting guarantees	27%	39%	33%	0%
Removing product features or options	15%	42%	42%	0%
Limiting or removing ability to make future deposits	3%	12%	67%	18%

## Other changes or restrictions noted

### Restrictions

- Paid-up additional deposit limits
- Limiting face value amount for some policies
- Restricting issuance of substandard ratings for life insurance (X2)
- Considering ceasing marketing of 30 year term policies
- Product suspensions (X3)

### Features

- Working on new product designs with modifications to the index strategies available (removing the highly volatile strategies from the products)
- Temporarily increased the free withdrawal amount allowed on deferred annuities to help customers dealing with liquidity issues related to COVID-19
- Extended grace periods

# OPEN DISCUSSION AND NEXT STEPS

- **Any other topics for discussion?**
- **Proposed agenda for next Working Group call (4/30, 3pm)**
  - ALM survey results
  - Update on advocacy efforts

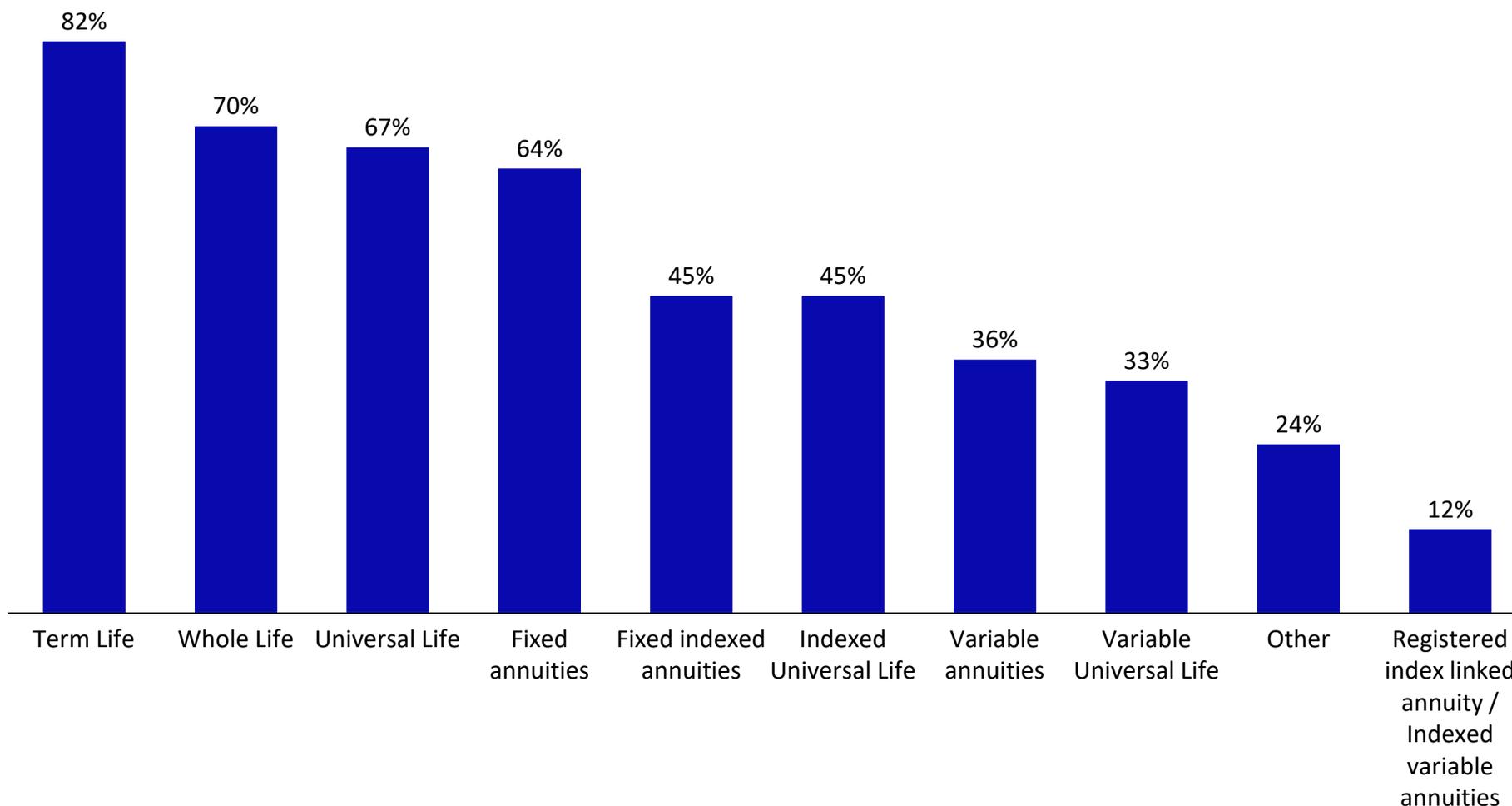
# **APPENDIX 1: NEW BUSINESS SURVEY – DETAILED RESULTS**

# NEW BUSINESS SURVEY – DETAILED RESULTS

- **Section 1: Top Concerns for New Business**
  - Challenges & concerns
  - Team bandwidth
- **Section 2: Pricing and Underwriting**
  - Pricing
    - Review frequency
    - Assumptions
    - Credit spreads
    - Metrics
    - Controls
  - Underwriting
    - Changes to approach & process
    - Changes to products & restrictions
  - Regulatory measures
- **Section 3: Product Changes**
  - Administrative procedures
  - Changes to products & restrictions
  - Hedging
  - Regulatory measures

# VARIETY OF PRODUCTS OFFERED ACROSS COMPANIES

Question 3: Which of the following products does your company offer? (select all that apply) (n = 33)



# REGULATORY RELIEF IS REQUESTED TO HELP ACCELERATE PRODUCT APPROVALS AND PROVIDE RELIEF FROM NONFORFEITURES

**Question 17:** What regulatory measures would provide your organization relief for product changes? (n = 22)

Category	Responses
<b>Process acceleration</b>	<ul style="list-style-type: none"> <li>• Quicker review and approval of new products by state insurance departments (X9)</li> <li>• Speeding up filings for tele-sales</li> <li>• Faster SEC approval for VA product changes due to COVID-19</li> <li>• Faster compact approvals, especially for non-compact states like CA (X2)</li> <li>• Fast tracking for changes from COVID-19</li> <li>• Increased use of deemer clause for speed to market</li> </ul>
<b>Rate relief</b>	<ul style="list-style-type: none"> <li>• Updates to nonforfeiture (e.g., removing 4% floor reference if IRC s. 7702 interest rate is lowered) (X9)</li> <li>• Lowering interest rate in IRC s. 7702 (X5)</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>• ND and CT not approving COVID-19 questions on application</li> <li>• Illustration relief</li> <li>• LDTI deferment</li> </ul>

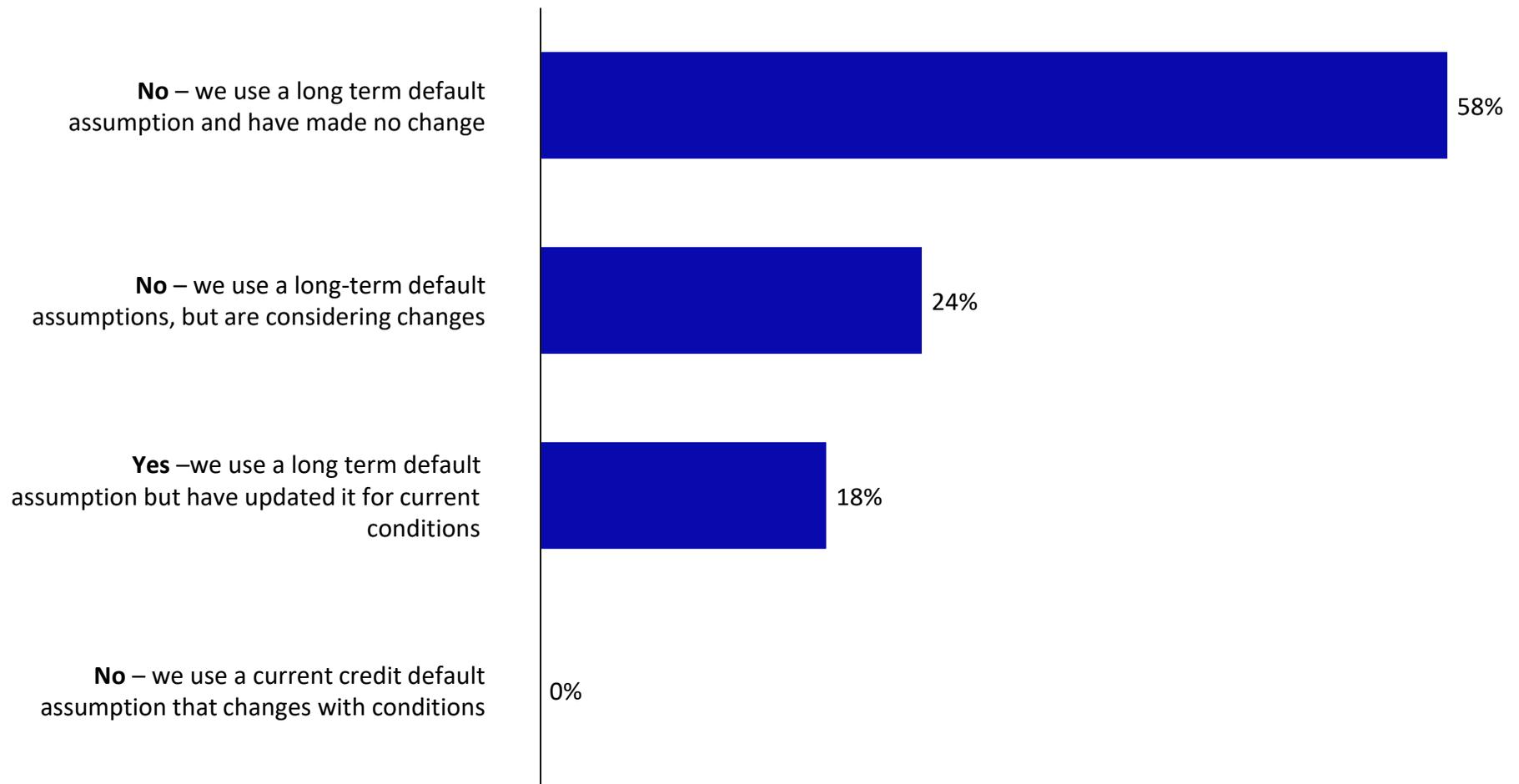
# THE MOST COMMON REQUESTS TO REGULATORS FOR PRICING RELIEF ARE FOR AN UPDATED 7702 RATE FLOOR AND DECREASES TO NON FORFEITURE RATES

**Question 13:** What regulatory measures would provide your organization relief for your pricing concerns? (n = 20)

Category	Responses
Requirement relief	<ul style="list-style-type: none"> <li>• Rates:               <ul style="list-style-type: none"> <li>– <b>Standard Non Forfeiture Law rate decreases</b> (x10)</li> <li>– <b>Update interest rate floor in section 7702</b> to reflect the current economic environment (x9)</li> <li>– GMIR decreases (e.g., for annuities, FIAs and UL products) (x3)</li> <li>– Leave/allow valuation interest rates for deferred annuities to continue at the rates from 2019</li> </ul> </li> <li>• Capital:               <ul style="list-style-type: none"> <li>– More favorable RBC for equities for appropriate (long-term) liabilities</li> <li>– Continued deferral of the proposed RBC C1 factors until at least 2021, allowing for further ACLI study of their development</li> <li>– Conservatism inherent in PBR/margin requirements</li> </ul> </li> </ul>
Other	<ul style="list-style-type: none"> <li>• Higher use of deemer clause</li> <li>• Lengthen contestable period</li> </ul>

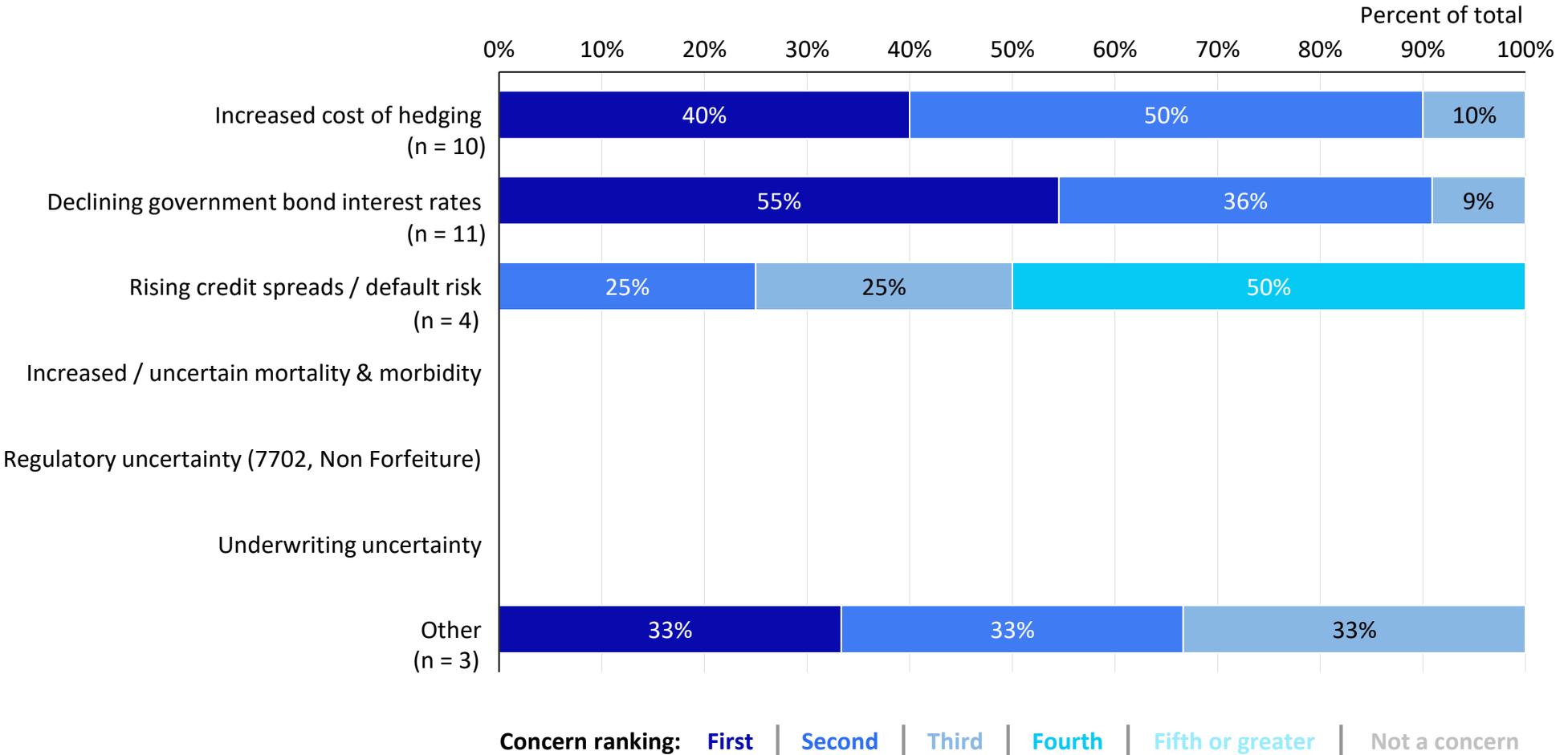
# ALL FIRMS SURVEYED USE A LONG TERM DEFAULT ASSUMPTION, AND MOST HAVE NOT MADE CHANGES TO THIS APPROACH

**Question 12:** Have you changed your **approach to setting expected default losses** on the investment portfolio? (n = 33)



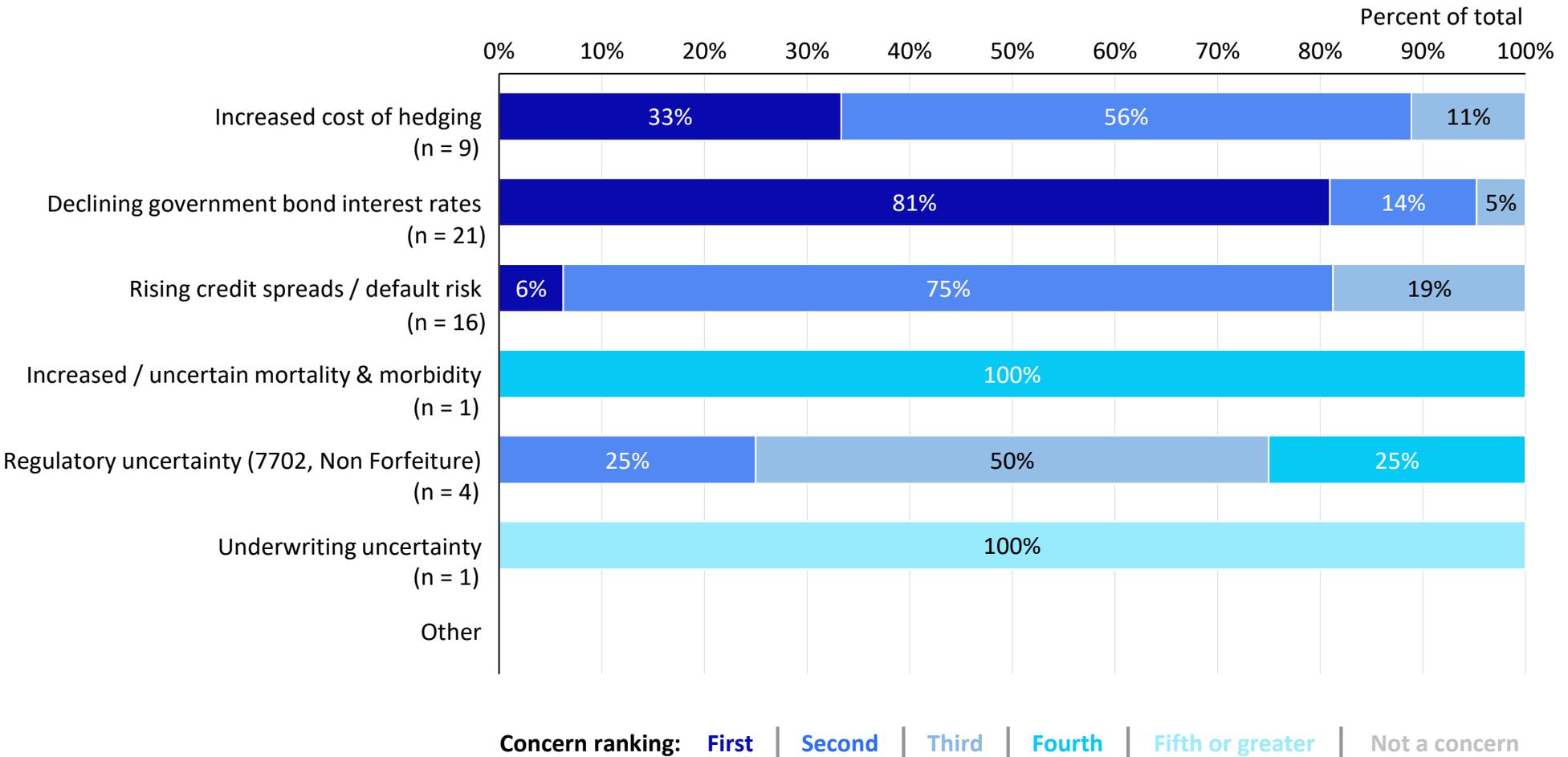
# 55% OF RESPONDENTS RANK DECLINING GOVERNMENT BOND RATES AS THE TOP VARIABLE ANNUITY PRICING CHALLENGE

Question 6: Please rank the following factors based on the degree to which they have challenged your organization's pricing for Variable Annuities?



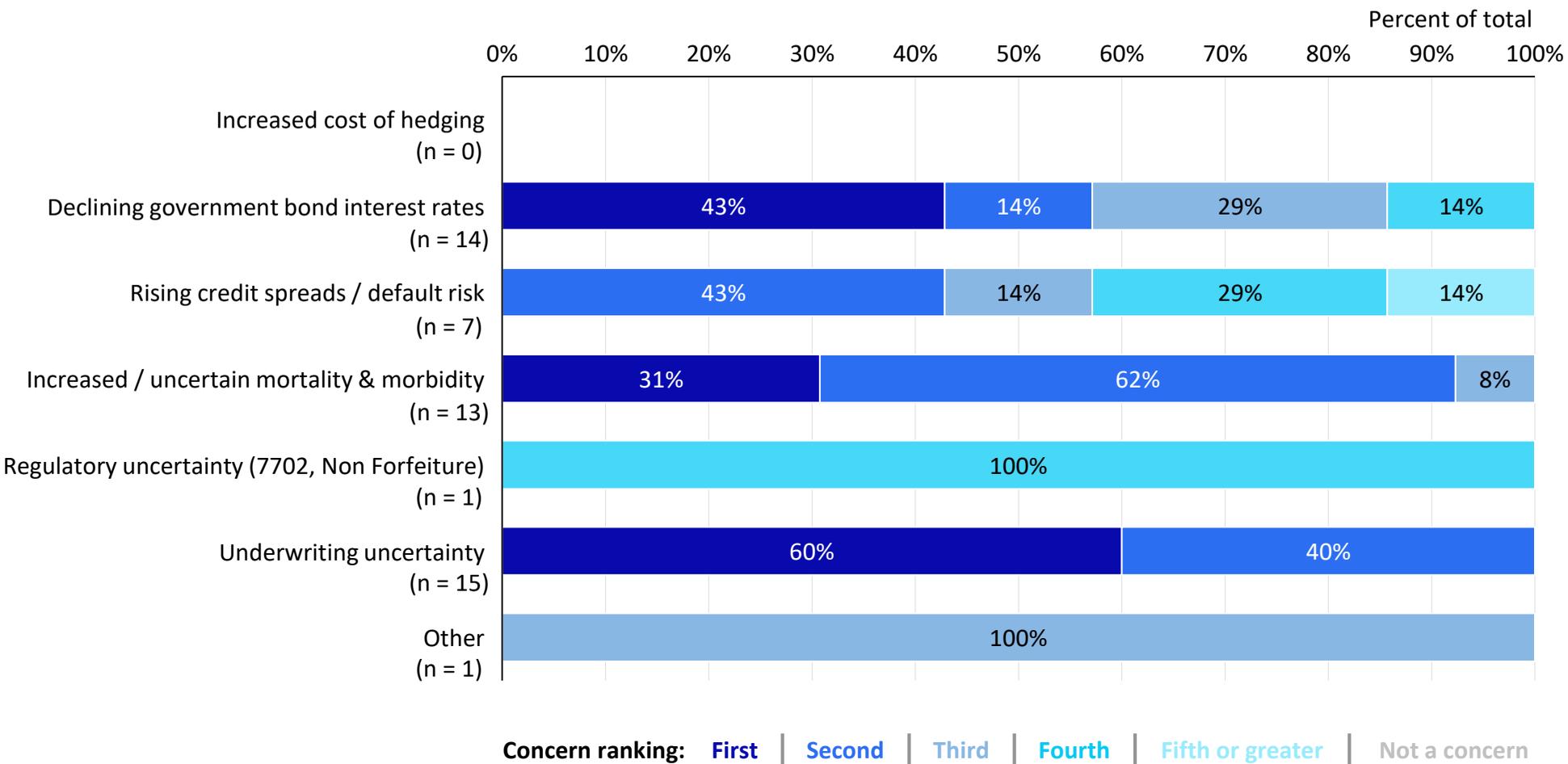
# 81% OF RESPONDENTS RANK DECLINING GOVERNMENT BOND RATES AS THE TOP FIXED / FIXED INDEXED ANNUITY PRICING CHALLENGE

Question 6: Please rank the following factors based on the degree to which they have challenged your organization's pricing for Fixed / fixed indexed annuity?



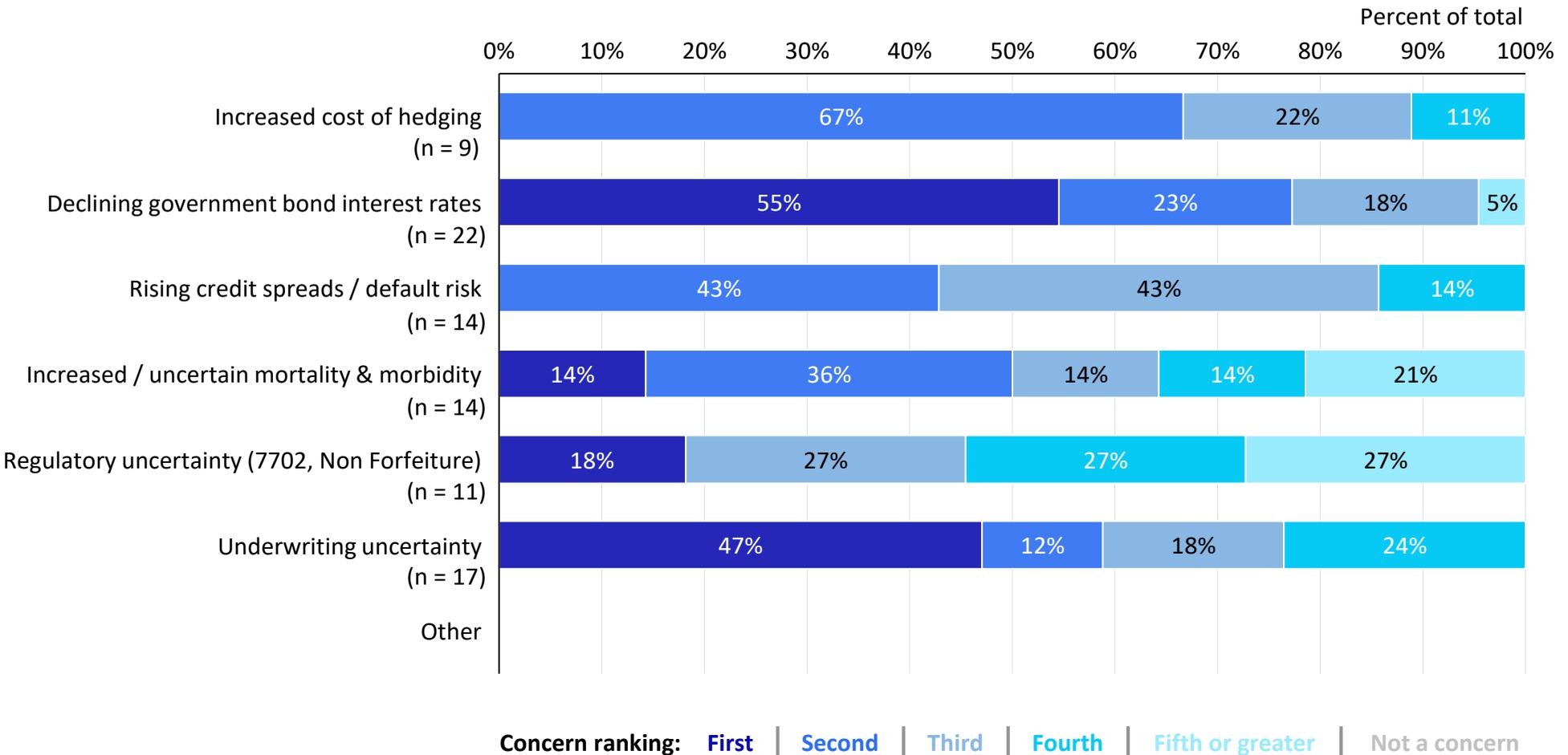
# 60% OF RESPONDENTS RANK UNDERWRITING UNCERTAINTY AS THE TOP TERM LIFE PRICING CHALLENGE

Question 6: Please rank the following factors based on the degree to which they have challenged your organization's pricing for Term Life?



# 55% OF RESPONDENTS RANK DECLINING GOVERNMENT BOND RATES AS THE TOP PERMANENT LIFE PRICING CHALLENGE

Question 6: Please rank the following factors based on the degree to which they have challenged your organization's pricing for Permanent Life?



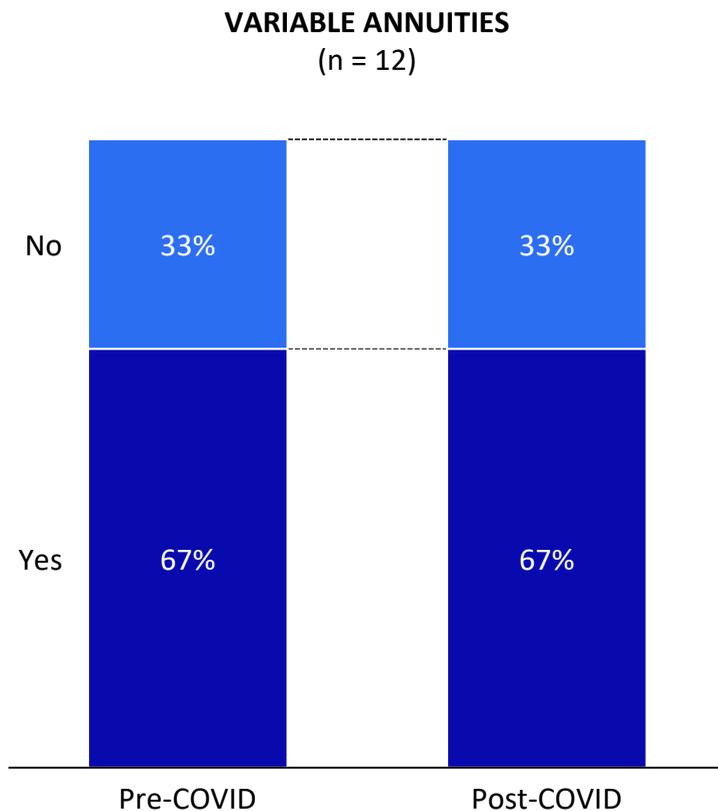
# MOST COMPANIES HAVE DEPLOYED CHANGES TO ALL PRODUCTS IN THE CURRENT ENVIRONMENT

**Question 14: What changes have been made to your organization's administrative procedures in light of the COVID-19 pandemic and current market conditions?**

Criteria	Products
Shortened product change windows (n = 9)	<ul style="list-style-type: none"> <li>All (X3)</li> <li>Life</li> <li>Annuities (including VA, FIA, MYGA, FA with GLWB) (X4)</li> <li>Rolling out price increase for GUL and shortened the period from notification to effective date of the price increase</li> </ul>
Changed maximum premiums allowed (n = 12)	<ul style="list-style-type: none"> <li>Life (including all life products and certain single premium life products) (X5)</li> <li>Annuities (including FIA, FA, and VIA) (X5)</li> <li>UL (including with secondary guarantees and equity indexed) (X3)</li> <li>Lowered premium limits for sales with GLWB and GMDB products</li> <li>PUA Rider, NLG, hybrid Life/LTC products</li> </ul>
Changed rate hold procedures (n = 5)	<ul style="list-style-type: none"> <li>Annuities (including fixed and FIA) (X3)</li> <li>Spot-priced</li> <li>Index Universal Life Insurance</li> <li>Annuity rate holds were extended due to challenges created due to social distancing</li> </ul>
Changed frequency of field notifications (n = 11)	<ul style="list-style-type: none"> <li>All (X6)</li> <li>Annuities (including FIA, FA, and VIA) (X2)</li> <li>General portfolio (X2)</li> <li>Product notices on annuity changes more frequently</li> </ul>
Other (n = 1)	<ul style="list-style-type: none"> <li>Discontinued sale of our SPDA product</li> </ul>

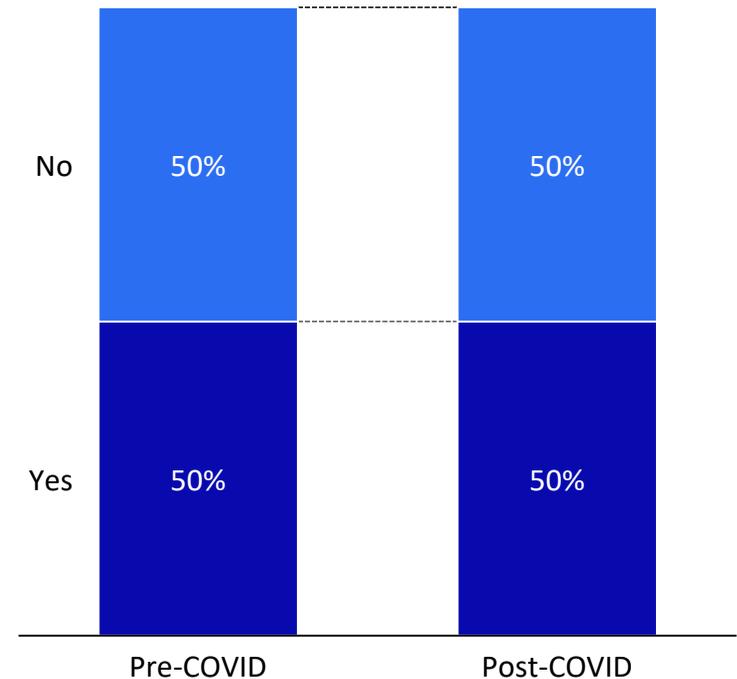
# HEDGING STRATEGIES ON VARIABLE ANNUITIES HAVE REMAINED THE SAME AS BEFORE COVID-19, AND NONE ARE CONSIDERING CHANGES

Question 9: Are you hedging new business economics to mitigate market risk from when pricing is set and sales occur?



*Note: none are considering changes*

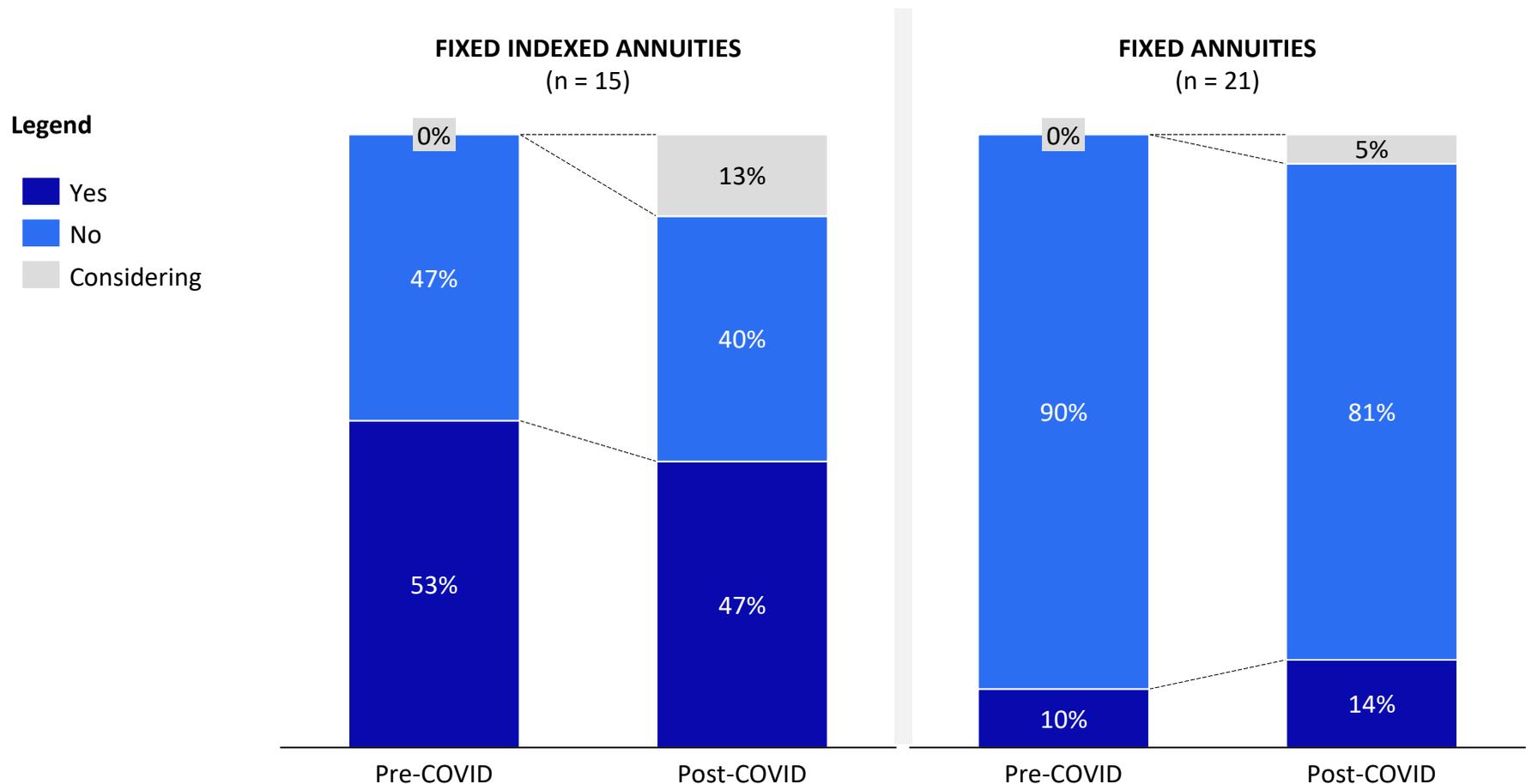
**REGISTERED INDEX LINKED ANNUITY / INDEX VARIABLE ANNUITIES**  
(n = 4)



*Note: none are considering changes*

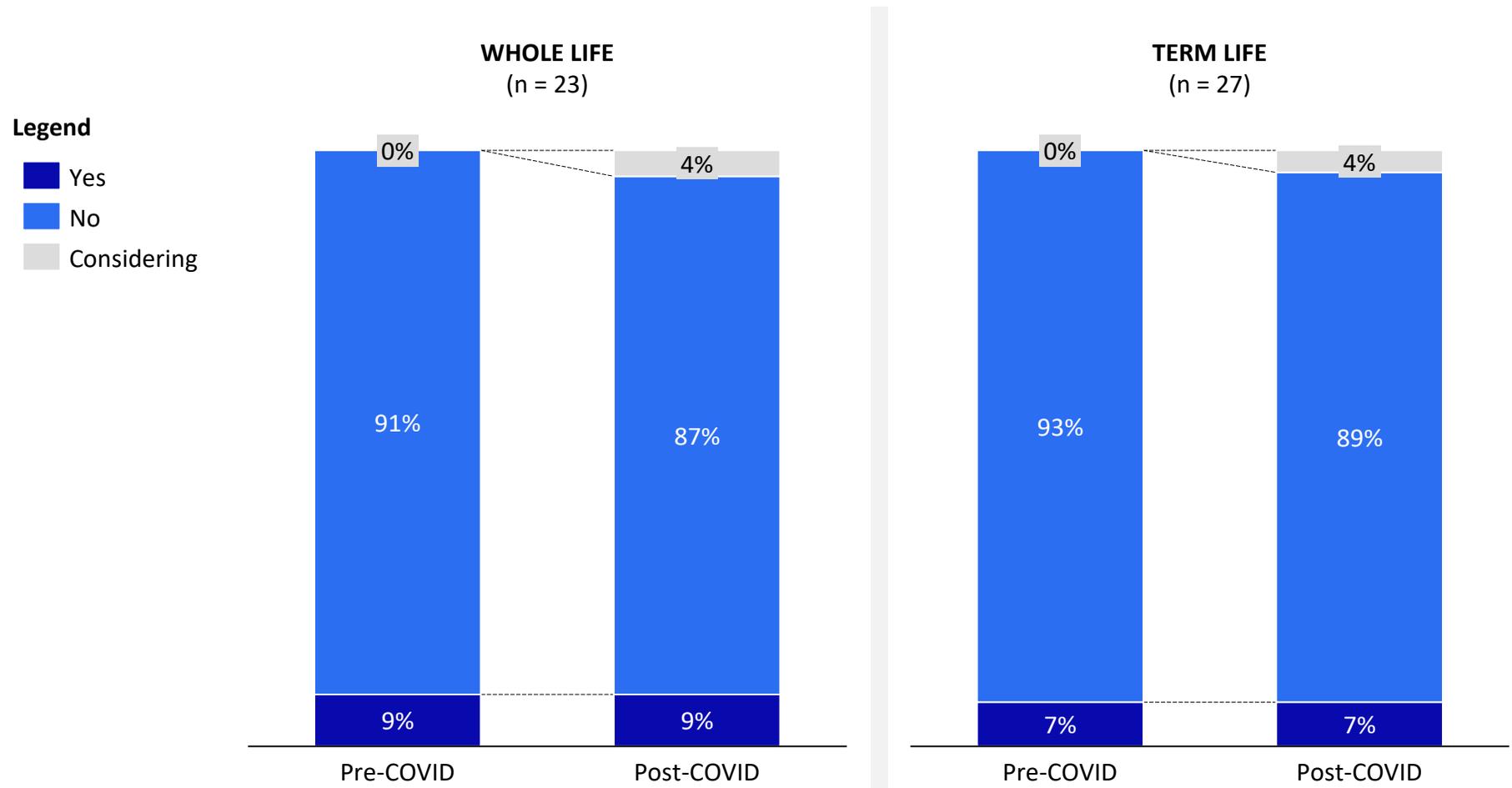
# FIRMS HAVE BACKED AWAY FROM HEDGING AT THE POINT OF SALE FOR FIXED INDEXED ANNUITIES, BUT HAVE INCREASED POS HEDGING FOR FIXED ANNUITIES

Question 9: Are you hedging new business economics to mitigate market risk from when pricing is set and sales occur?



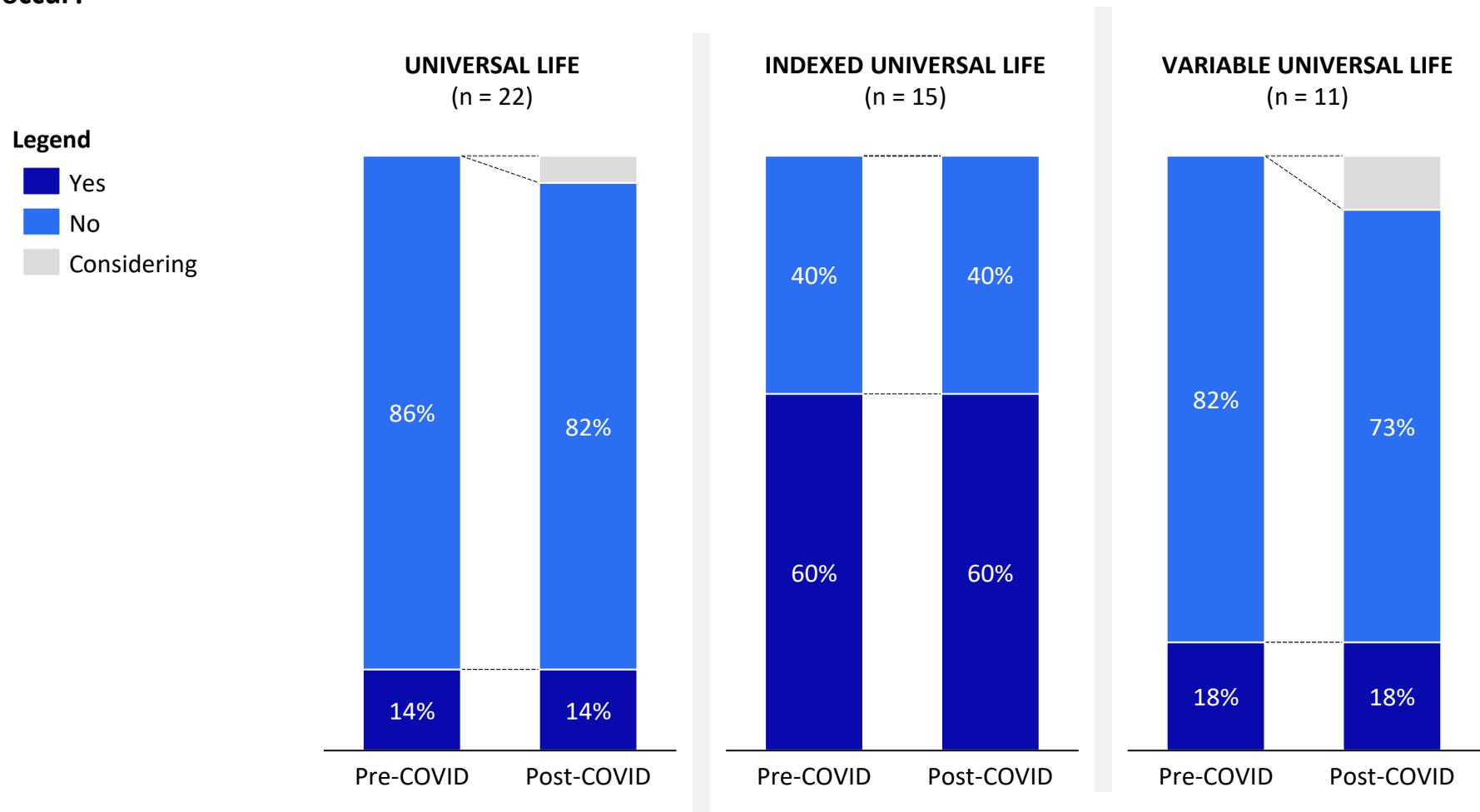
# A FEW FIRMS ARE CONSIDERING HEDGING AT THE POINT OF SALE FOR TERM AND WHOLE LIFE PRODUCTS

Question 9: Are you hedging new business economics to mitigate market risk from when pricing is set and sales occur?



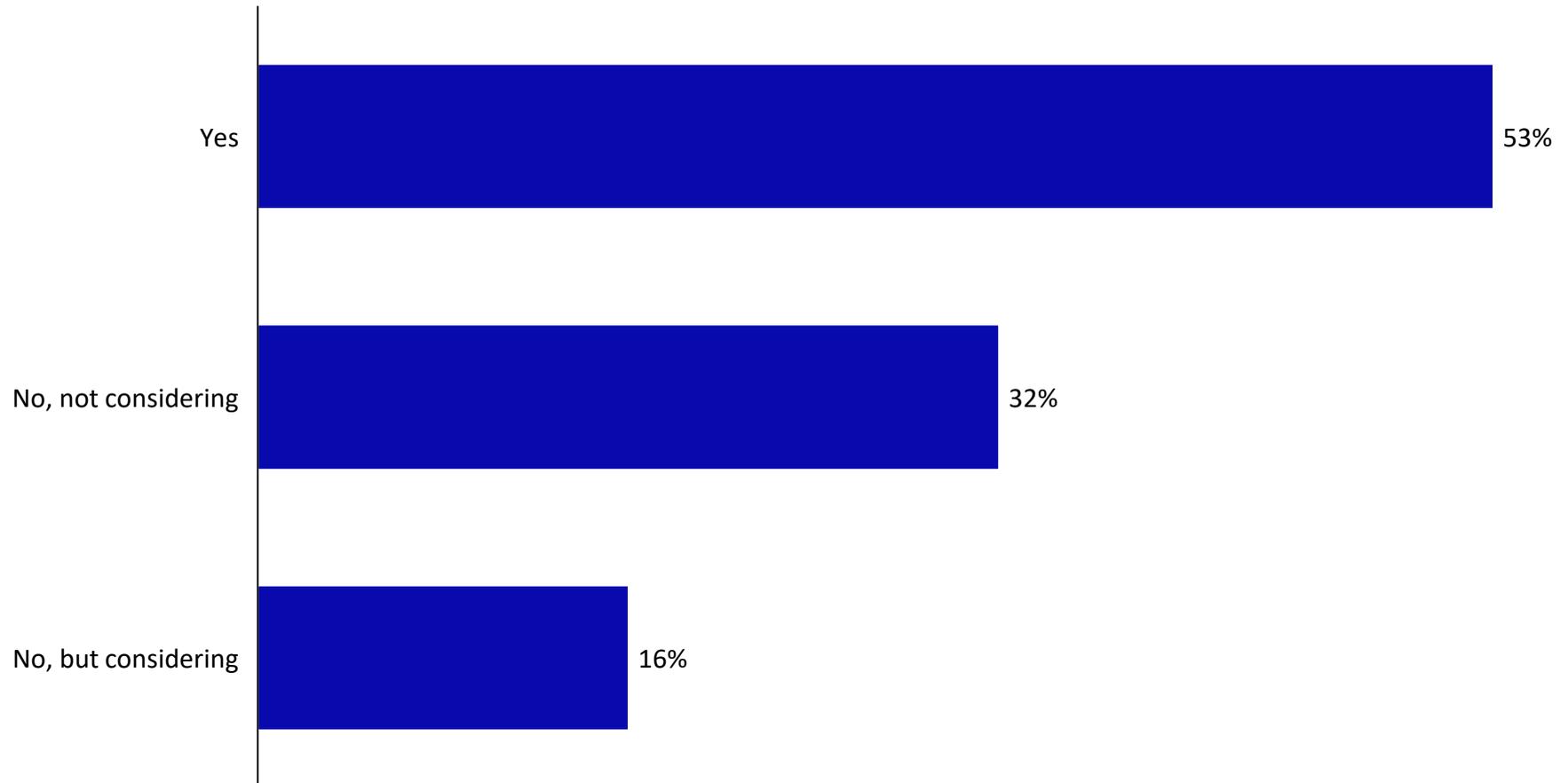
# A FEW FIRMS ARE CONSIDERING HEDGING AT THE POINT OF SALE FOR UNIVERSAL AND VARIABLE UNIVERSAL LIFE POLICIES, NOT FOR INDEXED UNIVERSAL LIFE

Question 9: Are you hedging new business economics to mitigate market risk from when pricing is set and sales occur?



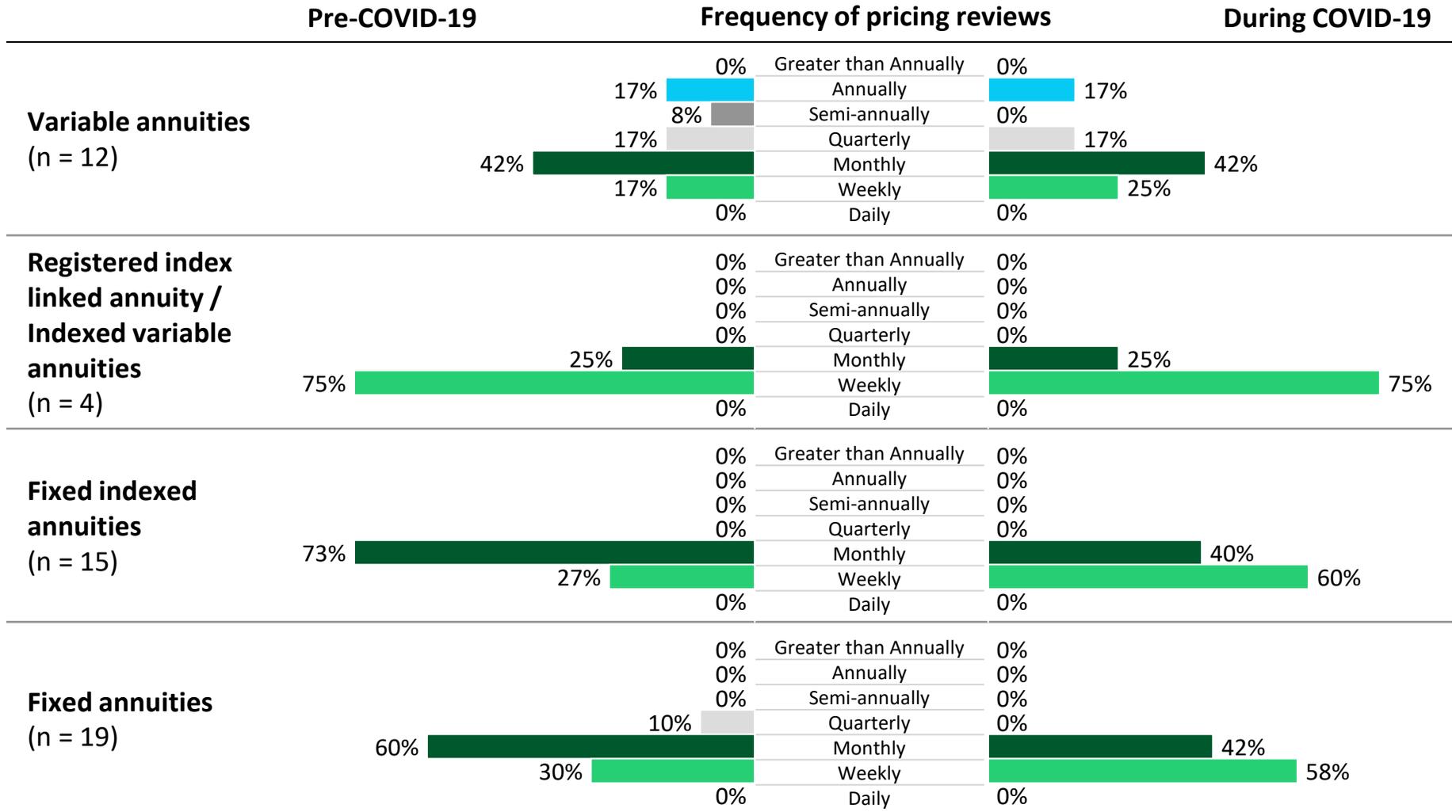
# OF THOSE WITH EQUITY LINKED PRODUCTS, THE MAJORITY HAVE ADJUSTED THEIR OPTIONS BUDGET FOR PRICING

**Question 10:** For equity-linked products, have you adjusted your options budget in pricing in response to current market conditions? (n = 19)



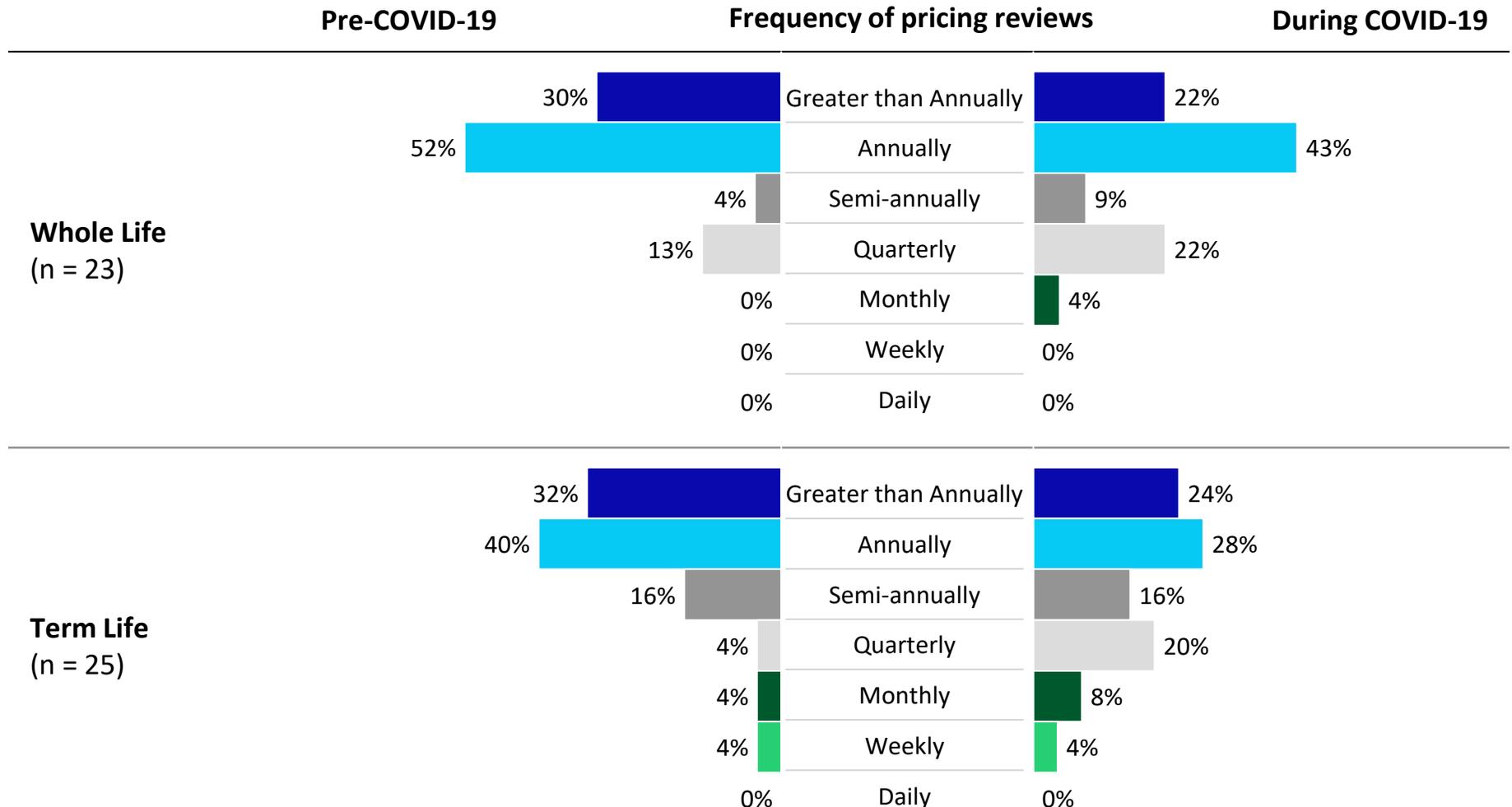
# PRICING REVIEWS FOR FIXED SAVINGS PRODUCTS HAVE BECOME MUCH MORE FREQUENT, LESS SO FOR VARIABLE SAVINGS PRODUCTS

Question 4: How frequently did you typically review pricing/crediting rates/cap rates on new policies before COVID-19, and how frequently do you review pricing now?



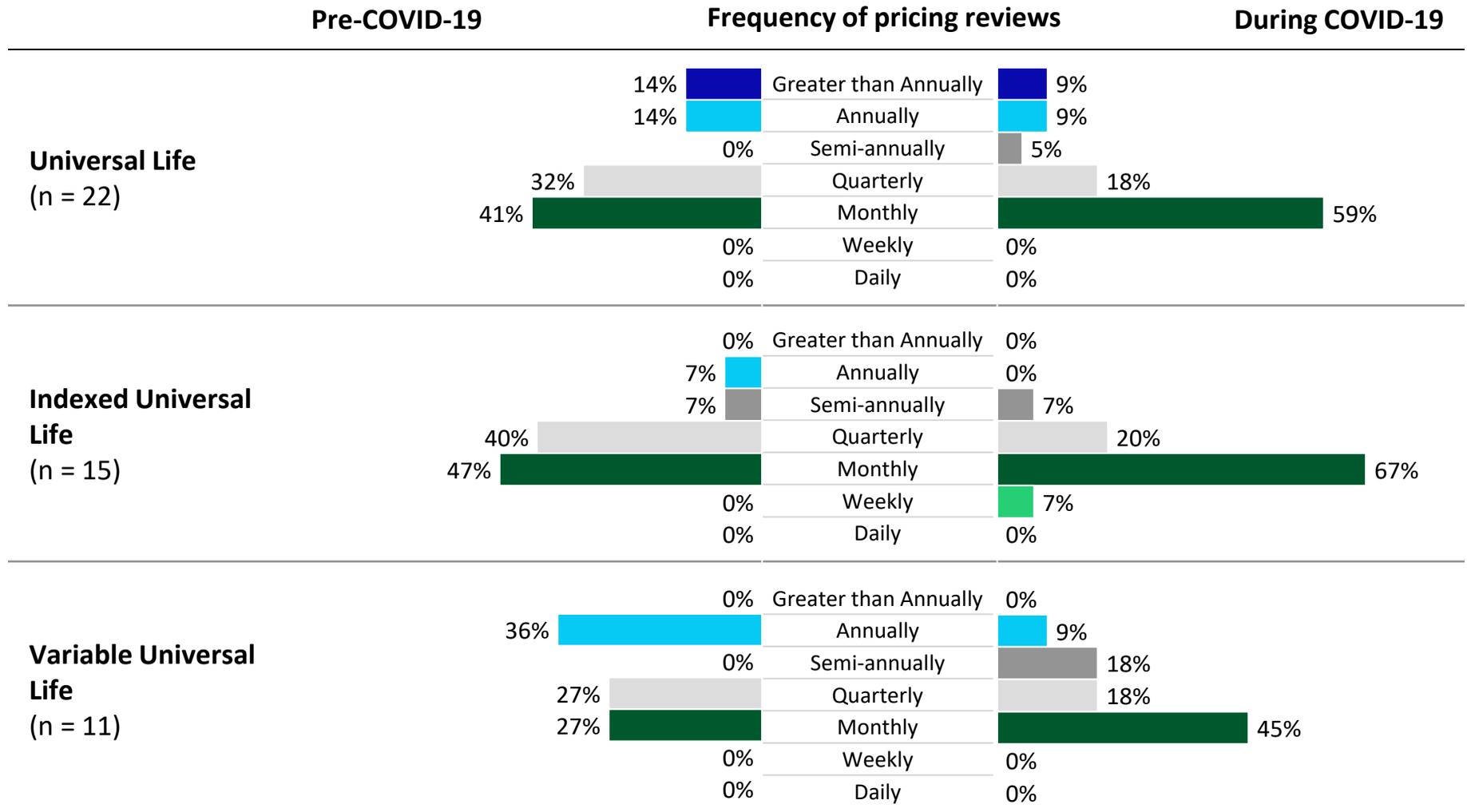
# FOR PROTECTION PRODUCTS, SEVERAL FIRMS HAVE SWITCHED FROM ANNUAL OR SEMI-ANNUAL REVIEWS TOWARDS QUARTERLY, MONTHLY OR WEEKLY REVIEWS

Question 4: How frequently did you typically review pricing/crediting rates/cap rates on new policies before COVID-19, and how frequently do you review pricing now?



# MANY FIRM HAVE SHIFTED TO MONTHLY PRICING REVIEWS FOR UNIVERSAL LIFE PRODUCTS

Question 4: How frequently did you typically review pricing/crediting rates/cap rates on new policies before COVID-19, and how frequently do you review pricing now?



## **APPENDIX 2: ADVOCACY PRIORITIES**

# ADVOCACY PRIORITIES (UPDATED 4/16)

## 1. Product/Nonforfeiture/ 7702 Issues (1 of 2)

Ref	Item	Staff	Objectives	Status	Regulatory Engagement	Timing (days)	Priority	Difficulty	Dependencies	Updates on Activities
1a	Section 7702 interest rates	Paul Graham Regina Rose Mandana Parsazad	Effective Jan 1, 2021	In Progress	Federal - legislative	45	High	Hard		Joint call of Actuarial, Accounting, and Annuities Committee call 3/30 Calls with LATF and Life RBCWG leadership scheduled for 3/31 and 4/7 to discuss
1b	Life nonforfeiture interest rates	Brian Bayerle Paul Graham	VM-02 fix effective Jan 1, 2021 Need by VM deadline (approximately June LATF adoption)	In Progress	NAIC - LATF/A Comm	45	High	Easy	1a	Joint call of Actuarial, Accounting, and Annuities Committee call 3/30, Actuarial Committee to form Working Group Calls with LATF and Life RBCWG leadership scheduled for 3/31 and 4/7 to discuss. First call of Working Group 4/15 4/16 Circulated potential Valuation manual edits to the Working Group.
1c	Annuity nonforfeiture interest rates	Brian Bayerle Paul Graham	Effective as soon as feasible (late 2021?)	In Progress	NAIC - LATF/A Comm States - All	45	High	Hard	updated Model #805	Joint call of Actuarial, Accounting, and Annuities Committee call 3/30, Actuarial Committee to form Working Group Calls with LATF and Life RBCWG leadership scheduled for 3/31 and 4/7 to discuss. First call of Working Group 4/9

# ADVOCACY PRIORITIES (UPDATED 4/16)

## 1. Product/Nonforfeiture/ 7702 Issues (2 of 2)

Ref	Item	Staff	Objectives	Status	Regulatory Engagement	Timing (days)	Priority	Difficulty	Dependencies	Updates on Activities
1d	Ensure regulatory bandwidth does not prevent required updates to product filings	Wayne Mehlman Paul Graham	Continuous near-term effort	In Progress	NAIC - LATF/A Comm States - All IIPRC	45-90	High	Easy		4/16- ACLI has notified the Interstate Compact (IIPRC) about the expected increase in product filings if guaranteed minimum interest rates (GMIR) are adjusted and if nonforfeiture interest rates are changed. We will be reaching out to the non-Compact states as well.
1e	Recommendation of the NAIC LTC EX Task Force regarding the development of a consistent national approach for reviewing LTCI rates.	Jan Graeber Paul Graham	Avoid delays in processing rate increase filings	In Progress	NAIC - LTC EX TF States - All			Hard		03/24 ACLI workstream calls to continue efforts of NAIC LTC EX Task Force 04/01 Joint ACLI/AHIP call regarding Louisiana Emergency Rule 4004/01 ACLI member workstream calls to continue efforts of NAIC LTC EX Task Force 04/16 Weekly calls of the 4 ACLI LTC workstreams continue

# ADVOCACY PRIORITIES (UPDATED 4/16)

## 2. Reserve issues

Ref	Item	Staff	Objectives	Status	Regulatory Engagement	Timing (days)	Priority	Difficulty	Dependencies	Updates on Activities
2a	Flooring reserving rate at 0% in the event of negative interest rates	Brian Bayerle Paul Graham	Need by VM deadline (approximately June LATF adoption)	In Progress	NAIC - LATF/A Comm	45	High	Medium		Joint call of Actuarial, Accounting, and Annuities Committee call scheduled for 3/30 to discuss Calls with LATF and Life RBCWG leadership scheduled for 3/31 and 4/7 to discuss
2b	Additional guidance on Asset Adequacy Testing/Cashflow Testing	Brian Bayerle Paul Graham	Guidance by 9/30?	In Progress	None - Work with the American Academy of Actuaries	45-90	High	Medium		Joint call of Actuarial, Accounting, and Annuities Committee call 3/30, Actuarial Committee to form Working Group. First call of Working Group 4/15 4/15 ACLI will reach out to the Academy for review of Asset Adequacy Analysis Practice Note 4/16 ACLI asked LIMRA to work with SOA to produce updated poll related to company practices
2c	Long Term Care AG 51 Requirements	Jan Graeber Paul Graham	Guidance by 9/30?	In Progress	NAIC - HATF/B Comm			Medium		3/26 - Call with HATF leadership on AG 51 reserve guidance

# ADVOCACY PRIORITIES (UPDATED 4/16)

## 3. Accounting issues (1 of 6)

Ref	Item	Staff	Objectives	Status	Regulatory Engagement	Timing (days)	Priority	Difficulty	Dependencies	Updates on Activities
3a	Delay GAAP Long Duration Targeted Improvements	Mike Monahan Paul Graham	Get FASB agree to additional delay as soon as feasible	In Progress	FASB	45-90	High	Hard		<p>3/20 - ACLI submitted letter to FASB4/08- FASB to meet to discuss "pressing accounting questions"4/08- ACLI had a call with FASB Chairman, Incoming FASB Chairman, FASB Vice Chairman, FASB Member and staff to discuss the steps ACLI can take so that FASB can better understand the impact on the implementation plan for ASU 2018-12 and how far behind companies are as a result of the current crisis - COVID-19</p> <p>4/15 - ACLI received a letter from Russ Golden, FASB Chairman summarizing the key points from our April 8 call. ACLI has identified eight companies and is arranging the dates FASB will meet (via call) with the companies;</p>

# ADVOCACY PRIORITIES (UPDATED 4/16)

## 3. Accounting issues (2 of 6)

Ref	Item	Staff	Objectives	Status	Regulatory Engagement	Timing (days)	Priority	Difficulty	Dependencies	Updates on Activities
3b	Accounting treatment consistent with FASB guidance on mortgage relief	Mike Monahan Paul Graham	Work with other trades on response Need by RBC deadline (to sync with RBC item, 6/30)	In Progress	NAIC - SAPWG	45	High	Medium		<p>3/24 - ACLI call with Mortgage Bankers Association</p> <p>3/24 - Statutory Accounting Call to discuss, agreed to draft letter to NAIC</p> <p>3/25 - Sent letter with ten joint trades to NAIC leadership. NAIC has been responsive</p> <p>3/27 - NAIC released interpretations for troubled debt restructuring (INT 20-03T and INT 20-04)</p> <p>4/15 - The NAIC Statutory Accounting Principles (E) Working Group met and adopted the two Accounting Interpretations to help Industry help our customers and ease loan modifications. However, we continue to advocate for the scope to include private placements and for the guidance to be extended to the end of the year.</p>

# ADVOCACY PRIORITIES (UPDATED 4/16)

## 3. Accounting issues (3 of 6)

Ref	Item	Staff	Objectives	Status	Regulatory Engagement	Timing (days)	Priority	Difficulty	Dependencies	Updates on Activities
3c	Treatment of Current Expected Credit Losses (CECL)	Mike Monahan Paul Graham		In Progress	FASB	45	High	Hard		<p>3/27 - ACLI sent letter to FASB</p> <p>3/31 – ACLI joins with trades in letter to SEC to extend CECL effective date deferral option to all financial institutions</p> <p>4/08- FASB met to discuss "pressing accounting questions" but CECL not on agenda</p> <p>4/08 - ACLI had a call with FASB Chairman, Incoming FASB Chairman, FASB Vice Chairman, FASB Member and staff to discuss Uniform CECL accounting treatment across all financial institutions.</p>

# ADVOCACY PRIORITIES (UPDATED 4/16)

## 3. Accounting issues (4 of 6)

Ref	Item	Staff	Objectives	Status	Regulatory Engagement	Timing (days)	Priority	Difficulty	Dependencies	Updates on Activities
3d	Accounting guidance on delayed premium payments of more than 90 days	Mike Monahan Paul Graham		In Progress	NAIC - SAPWG	45	High			3/27 - NAIC released an interpretation for COVID-19 delayed payments (INT 20-02T) 4/15/2020 - The NAIC Statutory Accounting Principles (E) Working Group met and adopted Accounting Interpretation 20-02 (INT 20-02) extending the 90 day rule into and through the second quarter (tentatively active until September 29, 2020 - one day before the end of the quarter) . SAPWG said that they will revisit this issue in the Summer to see if a further extension is needed.

# ADVOCACY PRIORITIES (UPDATED 4/16)

## 3. Accounting issues (5 of 6)

Ref	Item	Staff	Objectives	Status	Regulatory Engagement	Timing (days)	Priority	Difficulty	Dependencies	Updates on Activities
3e	NAIC SAPWG: Requested an extension of time regarding SAPWG Ref. No. 2019-21: SSAP No. 43R Loan-Backed and Structured Securities overhaul	Mike Monahan Paul Graham		In Progress	NAIC - SAPWG	45	High			3/27- ACLI submitted letter to NAIC SAPWG4/01- NAIC granted ACLI an extension of time. 4/01- NAIC granted ACLI an extension of time until July 31, 2020
3f	SEC: Requested Uniform Current Expected Credit Loss (CECL) accounting and capital treatment across all financial institutions	Mike Monahan Paul Graham		In Progress	SEC	45	High			3/31- Sent letter with five joint associations to SEC. 04/06 - ACLI and other stakeholders had a telephone call with SEC Chairman Jay Clayton's Chief Accountant and Deputy Chief Accountant to advocate for Uniform CECL. 04/07 - ACLI and other stakeholders had a telephone call with three SEC Commissioners to advocate for Uniform CECL.

# ADVOCACY PRIORITIES (UPDATED 4/16)

## 3. Accounting issues (6 of 6)

Ref	Item	Staff	Objectives	Status	Regulatory Engagement	Timing (days)	Priority	Difficulty	Dependencies	Updates on Activities
3g	Industry Request to Consider Regulatory Filing Flexibility as a Result of COVID-19	Mike Monahan Paul Graham		In Progress	NAIC					03/31/2020 - Six trades sent a letter to NAIC President, President-Elect, Vice President and Secretary to provide regulatory flexibility in various regulatory financial, solvency, and other supplemental filings. 04/06/2020 - NAIC Leadership sent an NAIC Bulletin to all NAIC Commissioners, Superintendents, Directors, Members and Chief Financial Regulators urging states to uniformly provide regulatory relief on certain matters that are directly impacted by COVID-19 around Regulatory Filing Deadlines, Electronic Filings and Signatures, On-site Examinations noting that the Bulletin was effective immediately.

# ADVOCACY PRIORITIES (UPDATED 4/16)

## 4. Risk-Based Capital (RBC) Issues (1 of 2)

Ref	Item	Staff	Objectives	Status	Regulatory Engagement	Timing (days)	Priority	Difficulty	Dependencies	Updates on Activities
4a	RBC C-1 Bond Factors	Steve Clayburn Paul Graham	Engage third party consultant and defer implementation Avoid YE2020 adoption (CATF would need to adopt by 6/30)	In Progress	NAIC - CATF/E Comm	45	High			3/20 - C-1 Scope team call Week of 3/23 - finish drafting RPF 4/8 Draft RFP finalized by member Week of 4/13 Outreach to specific regulators
4b	RBC C-1 Real Estate Factors	Steve Clayburn Paul Graham	Accelerate work in 2020 for YE2021 implementation	In Progress	NAIC - CATF/E Comm	45	High			4/6 ACLI letter sent to NAIC asking for expedited review of RBC proposal 4/9 Outreach to Investment RBC WG chair of 4/6 letter Week of 4/13 Member review and sign-off on all draft materials for expedited exposure and adoption to occur 4/14 - Discussion with chair of Investment RBC WG. WG may be disbanded. Need to talk to chair of Capital Adequacy TF, set for 4/21.

# ADVOCACY PRIORITIES (UPDATED 4/16)

## 4. Risk-Based Capital (RBC) Issues (2 of 2)

Ref	Item	Staff	Objectives	Status	Regulatory Engagement	Timing (days)	Priority	Difficulty	Dependencies	Updates on Activities
4c	RBC C-2 Longevity Factors	Brian Bayerle Paul Graham	Delay C-2 Longevity until 2021/paired with mortality and correlation factor	In Progress	NAIC - CATF/E Comm	45	High			3/26 - Had call with Life RBC leadership, agree to set factor 0% for YE2020. Need CATF structural adoption by 4/30 to collect data. Factors need exposure by 4/30 by Life RBC.
4d	Fix C-1 Mortgages for temporary relief associated with COVID-19	Mike Monahan Paul Graham	Work with other trades on response Need by RBC deadline(to sync with RBC item, 6/30)	In Progress	NAIC - CATF/E Comm	45	High			3/24 - ACLI call with Mortgage Bankers 3/24 - Statutory Accounting Call to discuss, agreed to draft letter to NAIC 3/25 - Sent letter with join trades to NAIC leadership. NAIC has been responsive 4/10 - ACLI led trade effort to urge the NAIC to change recently released RBC guidance on COVID-19-related loan modifications.

# ADVOCACY PRIORITIES (UPDATED 4/16)

## 5. Other issues (1 of 2)

Ref	Item	Staff	Objectives	Status	Regulatory Engagement	Timing (days)	Priority	Difficulty	Dependencies	Updates on Activities
5a	NAIC Economic Scenario Generator	Brian Bayerle Paul Graham	Engage consultant and LATF/LRBC to get favorable outcome for companies Viewed as sufficiently long time horizon	In Progress	NAIC - LATF/A Comm		Low			
5b	VM-51 Experience Reporting	Brian Bayerle Paul Graham	Defer 2020 data collection, optionally at least		NAIC - LATF/A Comm		Medium			3/31 – Initial call with NAIC staff mentioning possible optional deferral of 2020 requirements. 4/16 NAIC circulated proposal to delay 2020 data collection

# ADVOCACY PRIORITIES (UPDATED 4/16)

## 5. Other issues (2 of 2)

Ref	Item	Staff	Objectives	Status	Regulatory Engagement	Timing (days)	Priority	Difficulty	Dependencies	Updates on Activities
5c	Liquidity Stress Testing	Dave Leifer	Reorientation of the NAIC liquidity stress testing	In Progress	NAIC - Liquidity Assessment/EX Comm		High			4/6- ACLI sent letter to NAIC urging reorientation of LST project. 4/7- ACLI sent letter to NAIC requesting priority project status for liquidity stress testing 4/17- NAIC Financial Stability Task Force mail vote on reorientation of LST and adoption of revised charge relating to COVID-19 crisis and financial impact on life insurers
5d	Joint trade request to Treasury to include commercial mortgages as pledgable collateral for participation in the TALF program	Julie Spiezio Paul Kangus		COMPLETE	US Treasury		High			4/8- Federal Reserve updated the TALF term sheet and added commercial mortgage-backed securities as eligible collateral for TALF loans.

# **APPENDIX 3: TASK FORCE & SPRINT PARTICIPANTS**

# READINESS & ADVOCACY SUBCOMMITTEE

## MEMBERS

Keith Werschke	Pacific Life
Linda Durman	Sammons
Dan Jackson	Athene
Michael Slipowitz	Guardian Life
Stephen Turer	Lincoln
Meagan Phillips	Securian
Bill White	USAA
Ken McCullum	Principal
Todd Henderson	Western & Southern
Dennis Martin	Oneamerica
Tim Corbett	Mass Mutual
Ellen Cooper	Lincoln
Raj Krishnan	F&G Life
Paul Gerard	Ohio National
Liz Brill	NY Life
Tom Leonardi	AIG
Jim Mikus	Ameritas
Cliff Lange	Boston Mutual
Joe Engelhard	Met Life
Joel Steinberg	New York Life

Jason Klawonn	Northwestern Mutual
Connie Tang	Prudential
Karry Sweeney	Athene
Kevin Mechtley	Sammons
Richard (Rich) White	Jackson
Quentin Doll	Northwestern Mutual
Betsy Ward	Mass Mutual
Alison Weiss	Mass Mutual
David Chang	Pacific Life
Adam Brown	Allianz
Don Preston	SwissRe
Marcia Wadsten	Jackson

## FACILITATORS

Dave Levenson	LLG
Kristin Ricci	Oliver Wyman
Scott Campion	Oliver Wyman
Paul Graham	ACLI (Advocacy)
Wayne Chopus	ACLI (Advocacy)
Jason Berkowitz	IRI (Advocacy)

# SPRINT PARTICIPANTS

1. VA/FIA hedging	2. New business & products	3. ALM	4. Cash flow testing	5. COVID-19 morbidity & mortality	6. Social distance & distribution
<p>Participants:</p> <ol style="list-style-type: none"> <li>Participants:</li> <li>Marcia Wadsten / Angie Matthews, Jackson</li> <li>Stephen Turer, Lincoln</li> <li>Keith Werschke / David Chang, Pacific Life</li> <li>Scott Orr / Chia Yin Chew, MetLife</li> <li>Dan Jackson, Athene</li> <li>Connie Tang, Prudential</li> <li>Mark Kalinowski, Sammons</li> <li>Steve Cramer / LT Grant, Protective</li> <li>Jacob Steuber, Western Southern</li> </ol>	<p>Participants:</p> <ol style="list-style-type: none"> <li>Adam Brown, Allianz</li> <li>Cliff Lange, Boston Mutual</li> <li>Stephen Turer, Lincoln</li> <li>Betsy Ward, Mass Mutual</li> <li>Quentin Doll, Northwestern Mutual</li> <li>Jodi Kravitz / Andrew Ng, NY Life</li> <li>David Lautenschlager, Pacific Life</li> <li>Liz Dietrich / Vy Ho, Prudential</li> <li>Meagan Phillips, Securian</li> <li>Brian Sward, Jackson</li> <li>Katie Bezold, Western &amp; Southern</li> </ol>	<p>Participants:</p> <ol style="list-style-type: none"> <li>Dan Jackson / Jeff McClure, Athene</li> <li>Scott Orr / Jack Geiger, MetLife</li> <li>Linda Durman, Sammons</li> <li>Bill White, USAA</li> <li>Todd Henderson, Western Southern Life</li> <li>Chris Trost, Northwestern Mutual</li> <li>Oksana Cherniavsky, NY Life</li> <li>Ed Freeman, Guardian Life</li> <li>Steve Cramer / Adam Adrian / Lance Black, Protective</li> </ol>	<p>Participants:</p> <ol style="list-style-type: none"> <li>Michael Harwood, AIG</li> <li>Doug King, Athene</li> <li>Marcia Wadsten, Jackson</li> <li>Betsy Ward, Mass Mutual</li> <li>Stephen McNamara, NY Life</li> <li>Linda Durman, Sammons</li> <li>Aaron Sarfatti, Equitable</li> <li>Michael Slipowitz, Guardian Life</li> <li>Brock Peters, Prudential</li> <li>Miranda DiMaria / Chris Kinnison, Principal</li> </ol>	<p>Participants:</p> <ol style="list-style-type: none"> <li>Cliff Lange, Boston Mutual</li> <li>Deborah Vandommelen, Northwestern Mutual</li> <li>Joel Sklar, Prudential</li> <li>Meagan Phillips, Securian</li> <li>Bill White, USAA</li> <li>Amy Rider, Sammons</li> <li>Liz Brill, NY Life</li> <li>Sam Early, Principal</li> <li>Tim Wood, Protective</li> <li>Dan Harris, Western Southern</li> </ol>	<p>Participants:</p> <ol style="list-style-type: none"> <li>Michael Brodeur / Johnpaul Van Maele, AIG</li> <li>Adam Brown, Allianz</li> <li>Quentin Doll, Northwestern Mutual</li> <li>Steve Rueschhoff, Edward Jones</li> <li>Paul Mineck, Allstate</li> <li>Brian Delegat, Nationwide</li> <li>Jerry Blair / Amy Rider, Sammons</li> <li>Anthony Vossenber, Thrivent</li> <li>Steve Sanders, F&amp;G Life</li> <li>Phil Pellegrino, UBS</li> <li>Joe Toledano, Morgan Stanley</li> </ol>
	Wayne Chopus / Frank O'Connor, IRI				Jason Berkowitz / Wayne Chopus, IRI

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