

LOW-INTEREST RATE TASK FORCE

Readiness & Advocacy Subcommittee – Meeting #7

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AGENDA

STATUS UPDATE	5 minutes
REGULATORY PROGRESS UPDATE	15 minutes
READINESS PROGRESS UPDATE	10 minutes
SPRINT UPDATE: ALM SURVEY – INITIAL RESULTS	25 minutes
OPEN DISCUSSION AND NEXT STEPS	5 minutes

APPENDIX 1: ALM 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
 - Developed surveys to provide additional context on industry practices
- We are now working to wrap up “phase one” of the work
 - Holding final sprint meetings over the next week
 - Drafting final report based on learnings to date
- Near-term meeting cadence:
 - Readiness/Advocacy meeting next Thursday at 3pm
 - Webinar to share final report (scheduling TBC)

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)

READINESS: LAUNCHED SPRINTS ON HIGH-PRIORITY TOPICS

Process update

- We have identified initial views and challenges for each of the sprints
- We have completed surveys for selected sprint topics (e.g., COVID-19 mortality, CFT, New business, ALM)
 - Surveys developed in partnership with SOA
- For today's discussion, we have **initial results from the ALM survey** (see next slides and appendix)
- Next steps
 - We are launching two final surveys for distribution firms and financial advisors in partnership with IRI
 - Final sprint calls to be held over the next week

Sprint topics

- Cash flow testing – survey completed
- COVID-19 mortality – survey completed
- VA/FIA hedging – final meeting week of 5/11
- New business & products – survey completed
- ALM – survey completed; final meeting 5/1
- Social distance & distribution – surveys launched; final meeting next week

ALM SURVEY: INITIAL FINDINGS

01 Top Concerns for ALM	<ul style="list-style-type: none"> • 80% of respondents are concerned or very concerned about the impact of low rates on the life industry <ul style="list-style-type: none"> – Twice as many respondents are very concerned about the impact of low rates for the life industry (~47%) vs. the impact of low rates for their company (~22%) • More than half of respondents cite new business margins, stat earnings, new business sales, and GAAP earnings as top concerns related to low rates • >60% of respondents are concerned/very concerned about reinvestment rates and new business yields; ~40% plan to take action to address these challenges
02 Scenarios	<ul style="list-style-type: none"> • ~80% of respondents use management scenarios to evaluate and set ALM strategies; majority of companies plan to revise their scenarios to address recent market conditions • Most companies expect 10Y/30Y rates to be 0.5-1.0% and 1.0-1.5% respectively for baseline scenario; wide range of credit spread and default assumptions reported • Majority of companies running sensitivity testing with lower bond rates, negative treasury rates, and rising rates / increased lapses
03 ALM Strategy	<ul style="list-style-type: none"> • 40% of respondents are not duration matched for in-force business; management position on rates and inability to source long duration assets are cited as top two reasons for mismatch • The majority of respondents are not planning to change their ALM strategy for in-force; of the companies that plan to change, half plan to reduce their duration gap • Of the firms that plan to change their investment strategy, the majority plan to change to industry/sector allocations and seek higher-yielding asset classes
04 Data & Communication	<ul style="list-style-type: none"> • Companies have increased monitoring frequency across some, but not all factors; greatest increase in weekly/daily monitoring frequency reported for policy loan activity, withdrawal levels and lapse levels • Communication with senior management, board, regulators and rating agencies focused on the expected impact of the current environment and planned response

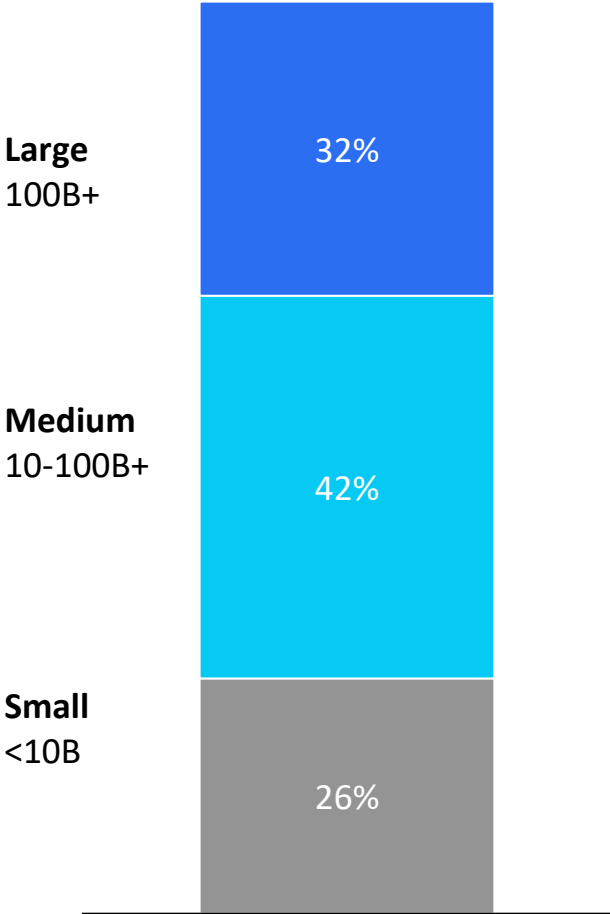
OVERVIEW & COMPANY DEMOGRAPHICS

Survey context

Objectives	<ul style="list-style-type: none"> • Primary focus is on the impact of current market conditions on ALM • Secondary focus is to understand range of industry practices around ALM
Respondents	<ul style="list-style-type: none"> • 32 respondents from life insurers (one per company)¹ • Functions represented include actuarial, risk, ALM, investments
Approach	<ul style="list-style-type: none"> • Multiple choice, rating, or free-response questions • Survey in field April 22nd-28th, 2020

Respondents by company size (n = 31¹)

Total assets, USD BN



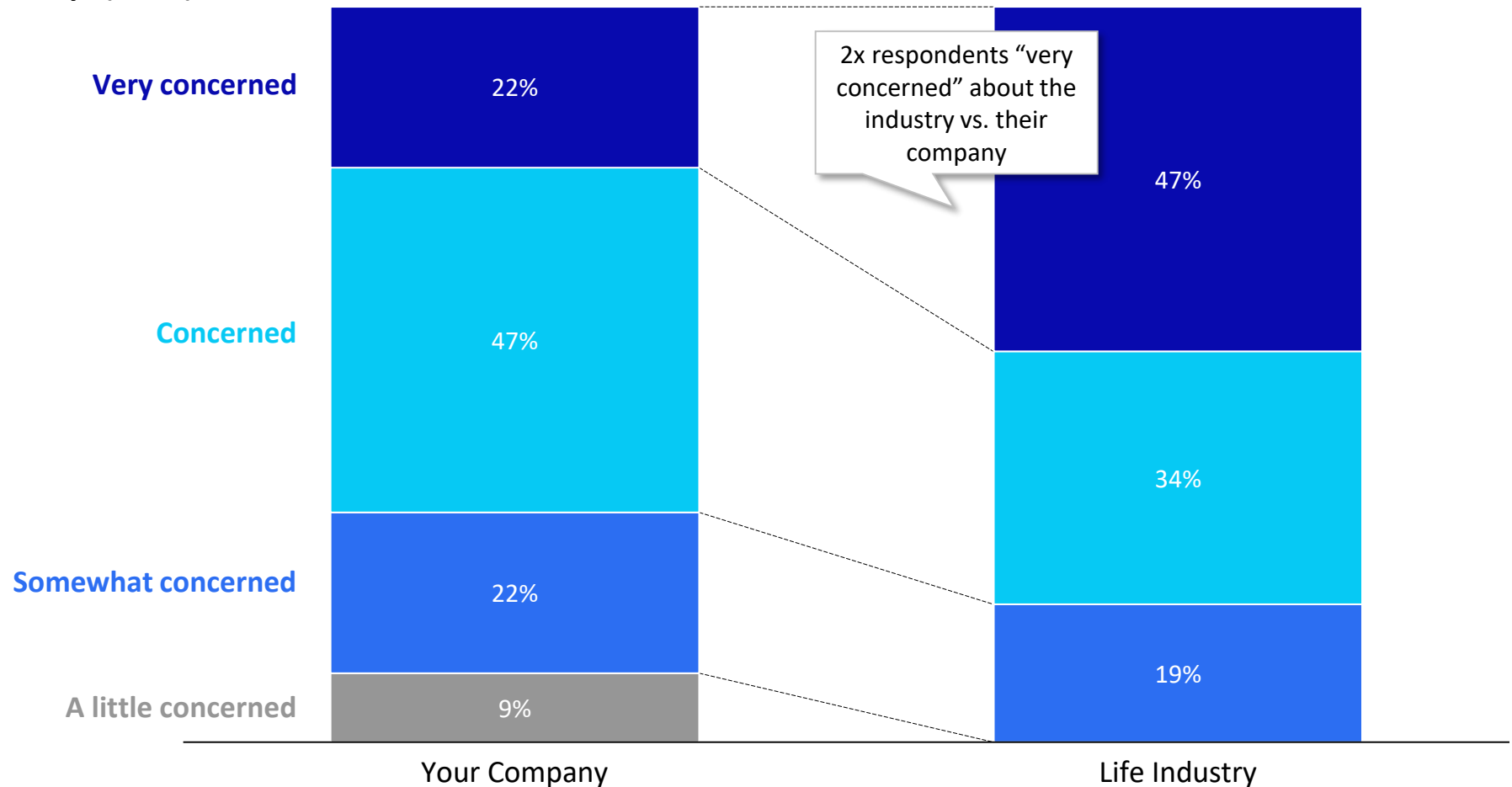
1. Reinsurer excluded from respondents by company size.

01

TOP CONCERNS FOR ALM

80% OF RESPONDENTS ARE CONCERNED OR VERY CONCERNED ABOUT THE IMPACT OF LOW RATES ON THE LIFE INSURANCE INDUSTRY

Question 1: a.) How concerned are you about the impact of low rates on ALM for your company, and b.) the life industry? (n =32)



NEW BUSINESS MARGINS CITED TOP ALM CONCERN RELATED TO LOW RATES

Question 2: What are you concerned about related to the impact of low rates on ALM for your company?*

Count by response category

Key takeaways

Respondents are most concerned about new business margins, stat earnings, new business sales, and GAAP earnings; >50% are concerned or very concerned about the low-rate impact on these factors

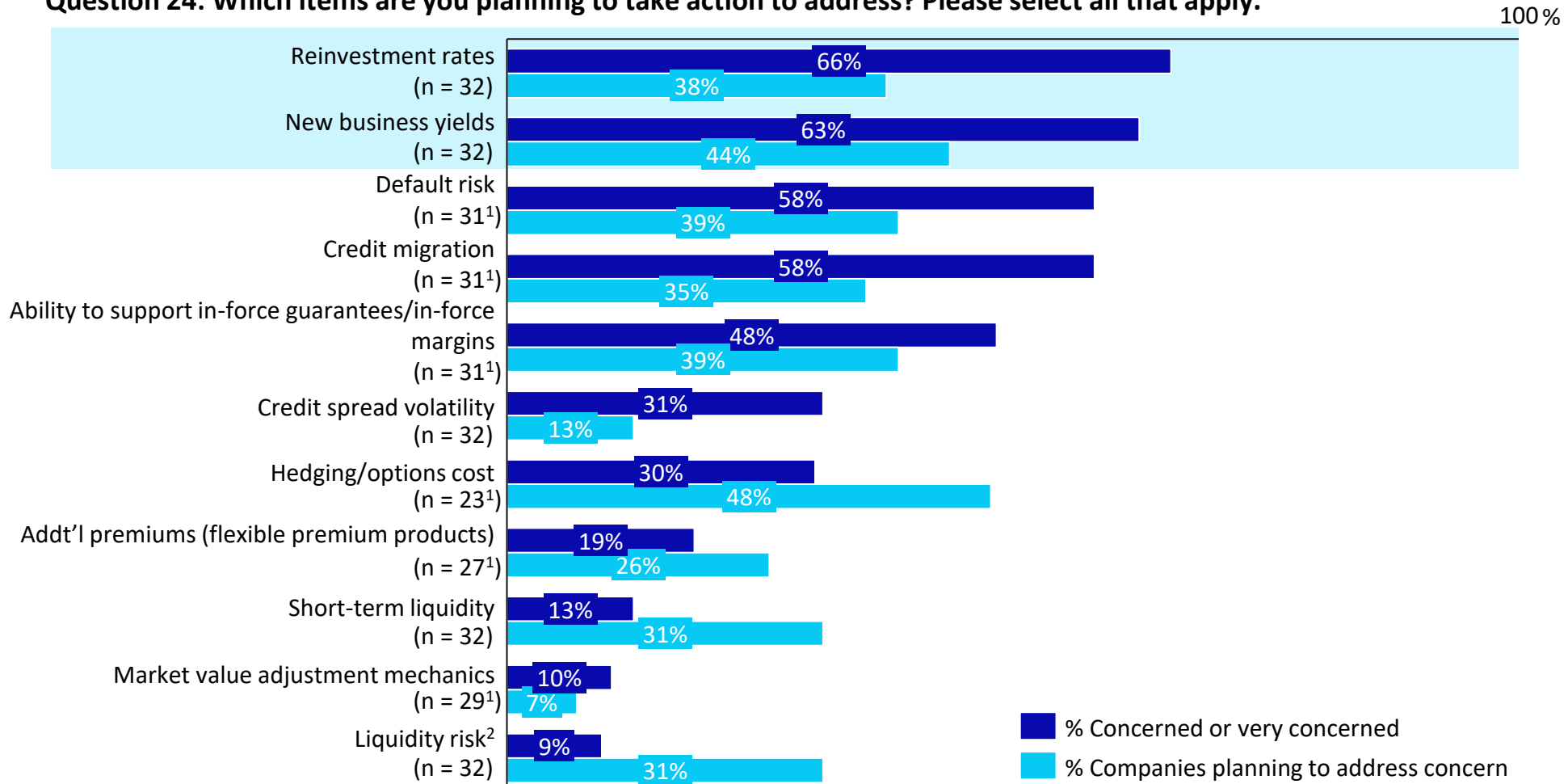
20 - 40% cite regulatory capital, internal capital metrics and rating as top concerns

Concerns	% concerned or very concerned	Very concerned	Concerned	Somewhat concerned	A little concerned	Not concerned
New business margins (n = 30)	67%	7	13	6	4	0
Stat earnings (n = 32)	59%	5	14	6	7	0
New business sales (n = 31)	58%	5	13	10	2	1
GAAP earnings (n = 19)	58%	3	8	3	5	0
Regulatory capital (n = 30)	40%	4	8	5	9	4
Internal capital metrics (n = 27)	33%	3	6	11	5	2
Rating (n = 30)	23%	2	5	7	8	8

* (n) excludes "Not applicable."

>60% OF RESPONDENTS ARE CONCERNED/VERY CONCERNED ABOUT REINVESTMENT RATES AND NEW BUSINESS YIELDS; ~40% PLAN TO ADDRESS THESE CHALLENGES

Question 3: How concerned are you about the following asset and liability-related challenges for your company /
Question 24: Which items are you planning to take action to address? Please select all that apply.



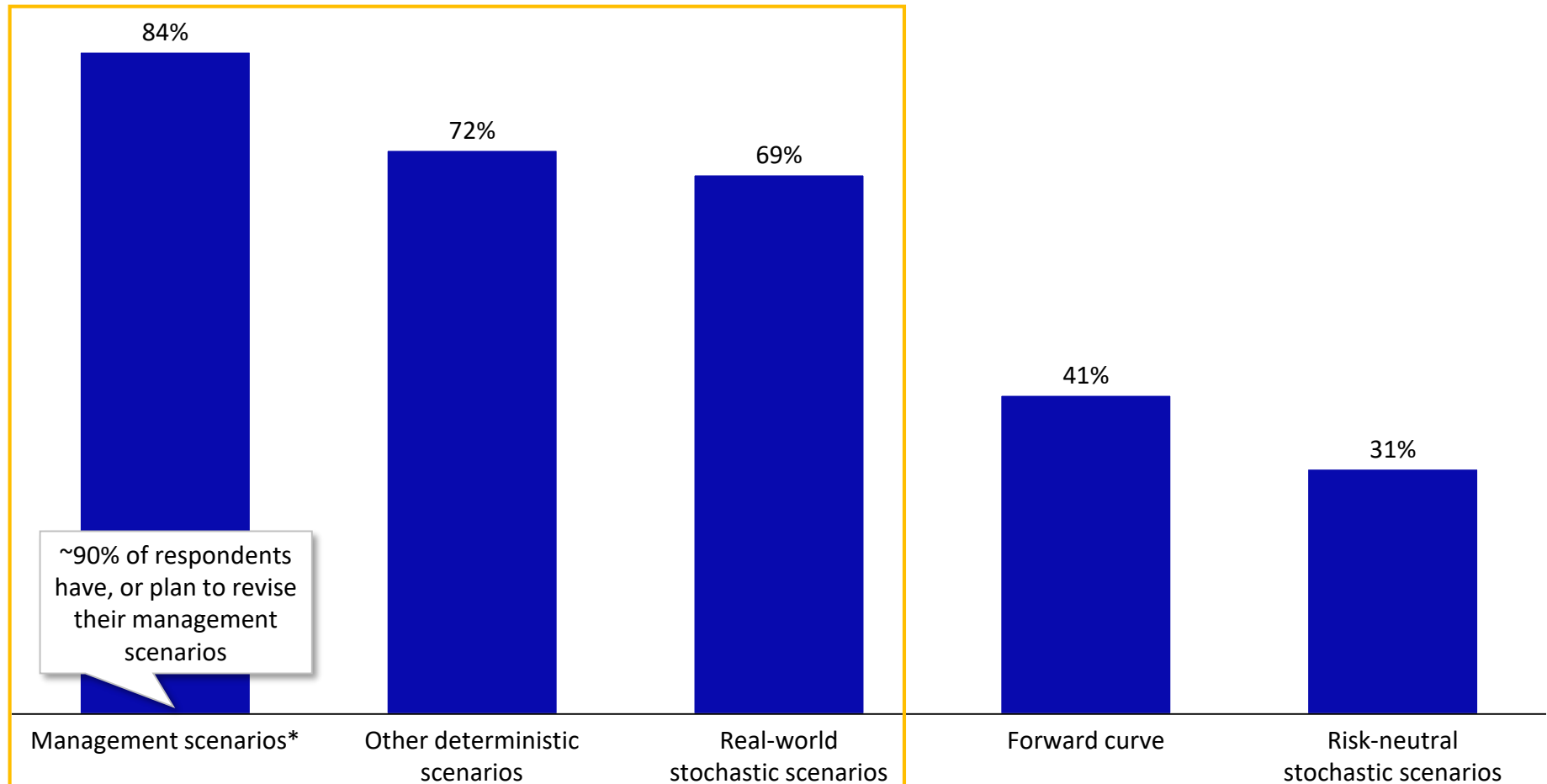
1. Excludes "Not applicable." 2. Including lapse, withdrawals, & increased loan activity

02

SCENARIOS

MOST COMPANIES USE MANAGEMENT, OTHER DETERMINISTIC AND REAL-WORLD STOCHASTIC SCENARIOS TO EVALUATE AND SET ALM STRATEGIES

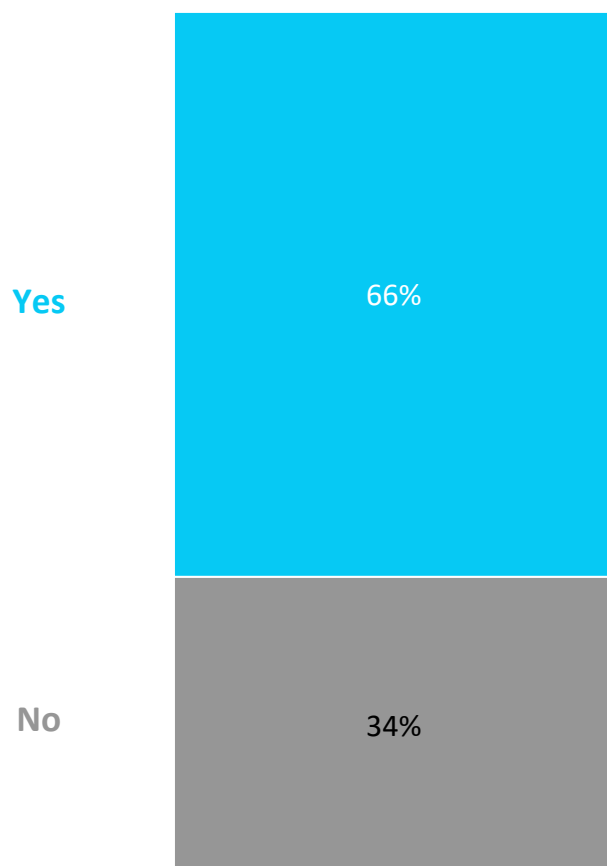
Question 5: What types of interest rate scenarios does your company use to evaluate and set ALM strategies? Please select all that apply. (n = 32)



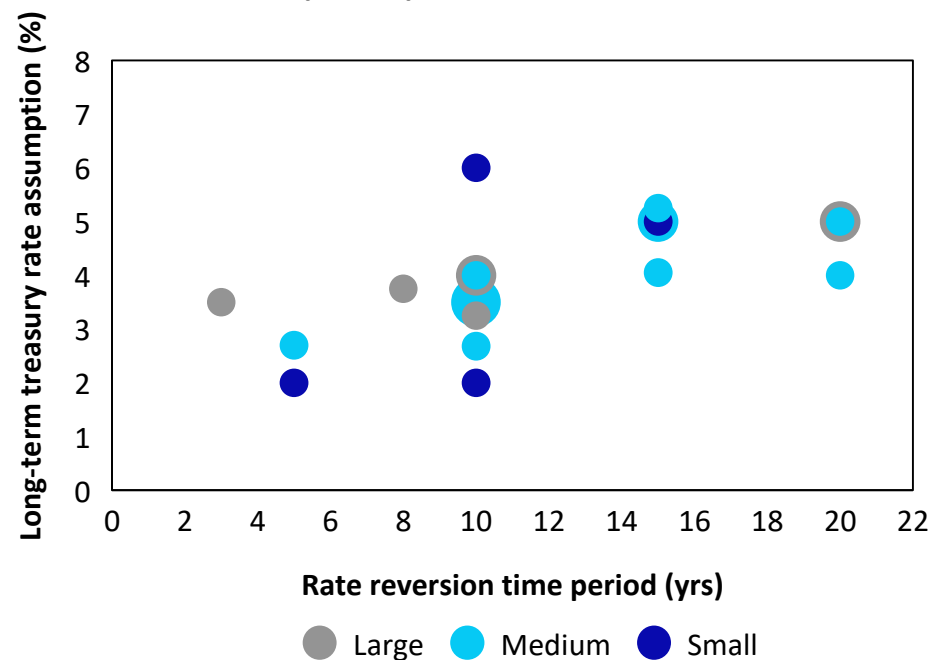
* "Management scenarios are defined as internal scenarios used for planning or other management decisions.

MOST COMPANIES USING A MARKET LONG-TERM INTEREST RATE EXPECTATION ASSUME A LONG-TERM TREASURY RATE OF 2-4%

Question 7: Does your company use a market long-term interest rate expectation in its management scenarios? (n = 32)



Question 8: What is your company's long-term rate assumption for treasuries? Over what time period do rates revert to this level? (n = 20)

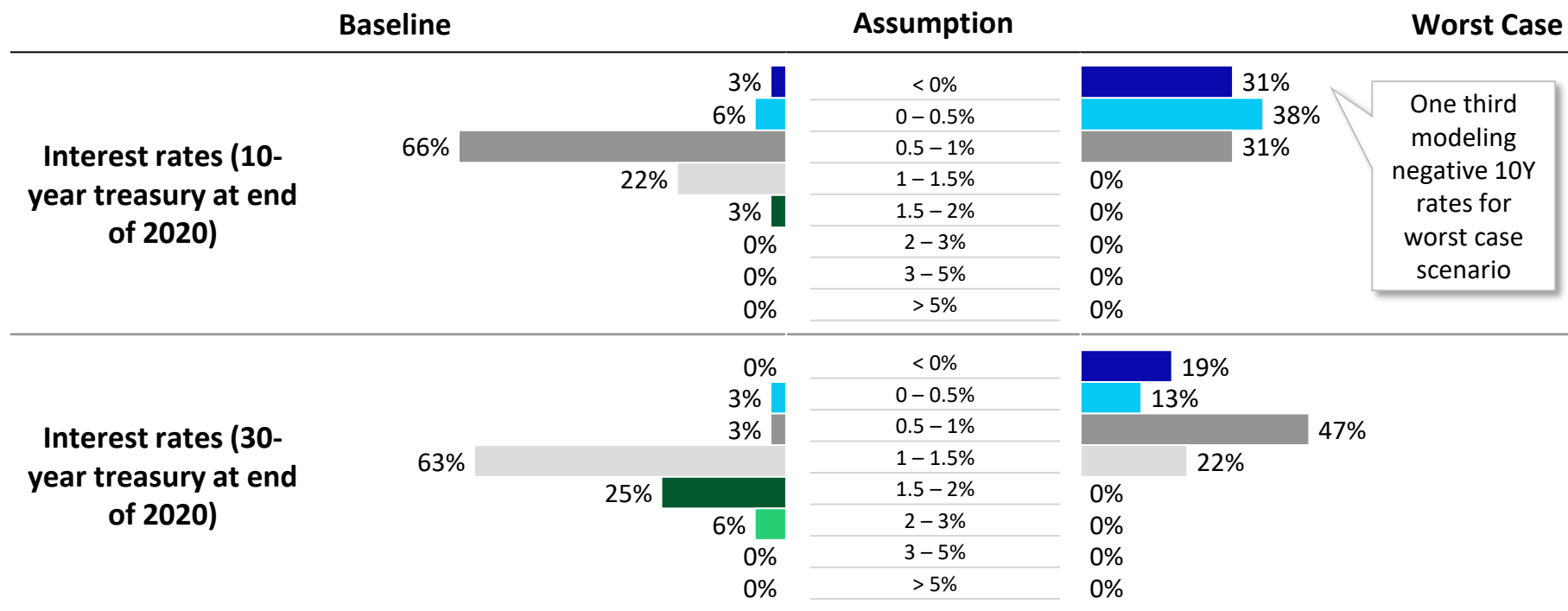


Large companies (100+BN); Medium companies (10-100BN); Small companies (<10BN)

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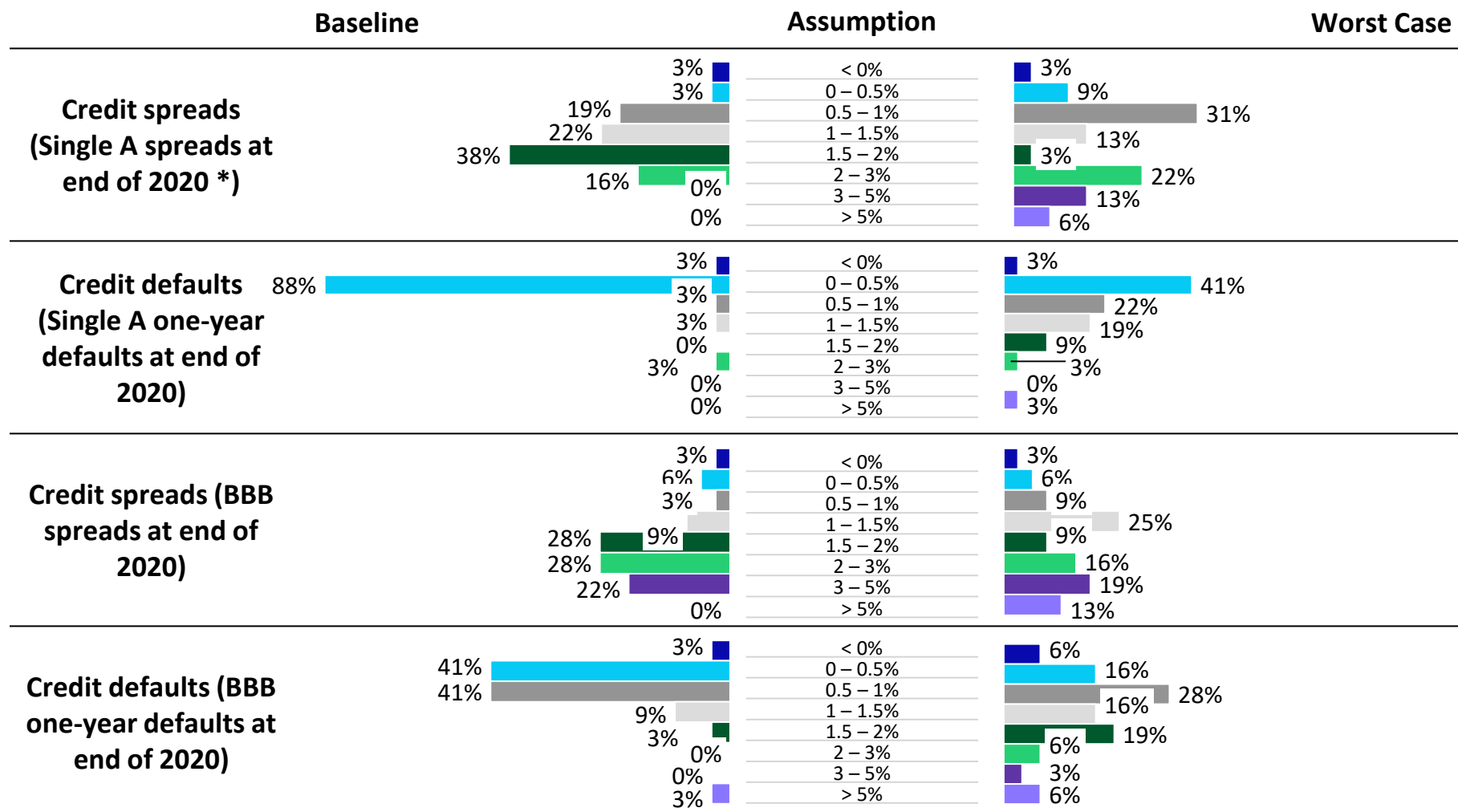
MOST COMPANIES EXPECT 10Y/30Y RATES TO BE .5-1% AND 1-1.5% RESPECTIVELY FOR BASELINE SCENARIO

Question 9: What is your company anticipating for the following metrics for its management scenarios? (n = 32)



WIDE RANGE OF ASSUMPTIONS REPORTED FOR CREDIT SPREAD AND DEFAULT METRICS, PARTICULARLY FOR WORST CASE SCENARIO

Question 9: What is your company anticipating for the following metrics for its management scenarios? (n = 32)

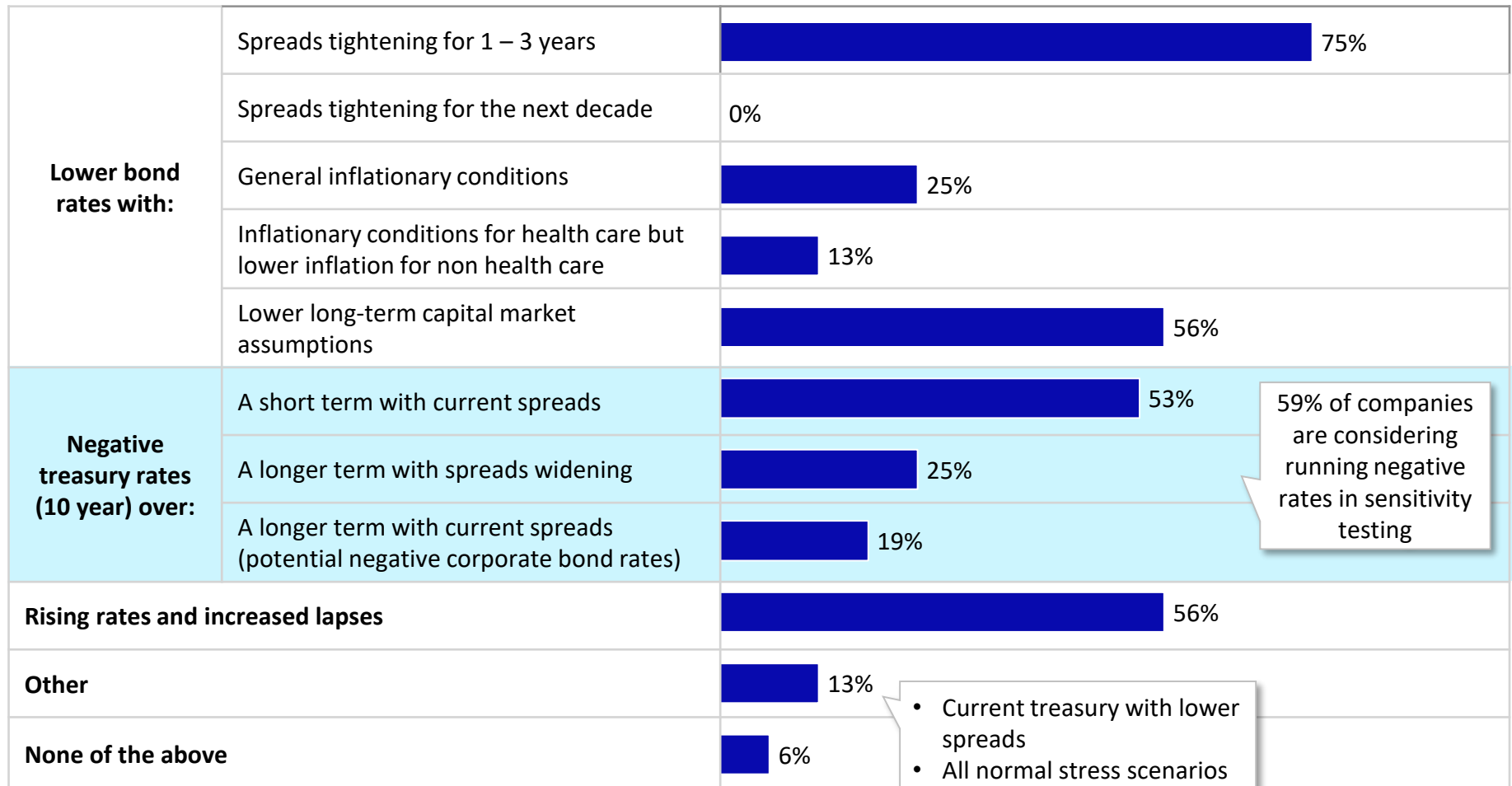


* Single A spreads were between 1.71 and 1.78% during period survey was in field (FRED data).

MAJORITY OF COMPANIES RUNNING SENSITIVITY TESTING WITH LOWER BOND RATES, NEGATIVE TREASURY RATES, AND RISING RATES / INCREASED LAPSES

Question 10: Many companies are running more sensitivities in the current environment than in past years. What scenarios is your company considering in its sensitivity testing in the current environment? Please select all that apply. (n = 32)

100%

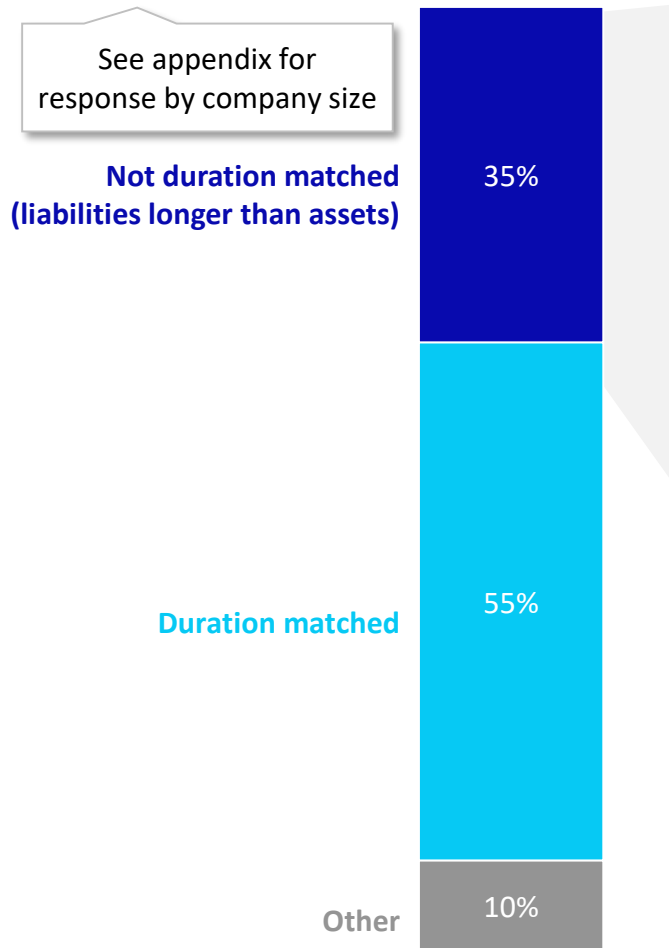


03

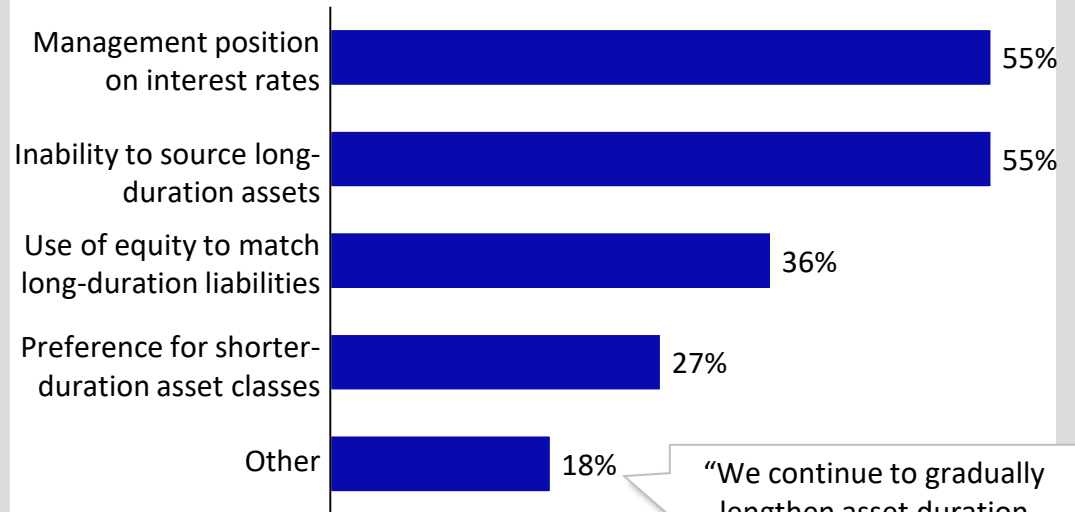
ALM STRATEGY

~40% OF RESPONDENTS ARE NOT DURATION MATCHED, MANAGEMENT POSITION ON RATES AND INABILITY TO SOURCE LONG DURATION ASSETS CITED AS KEY FACTORS

Question 12: How would you characterize your company's current ALM strategy for in-force? (n = 31)



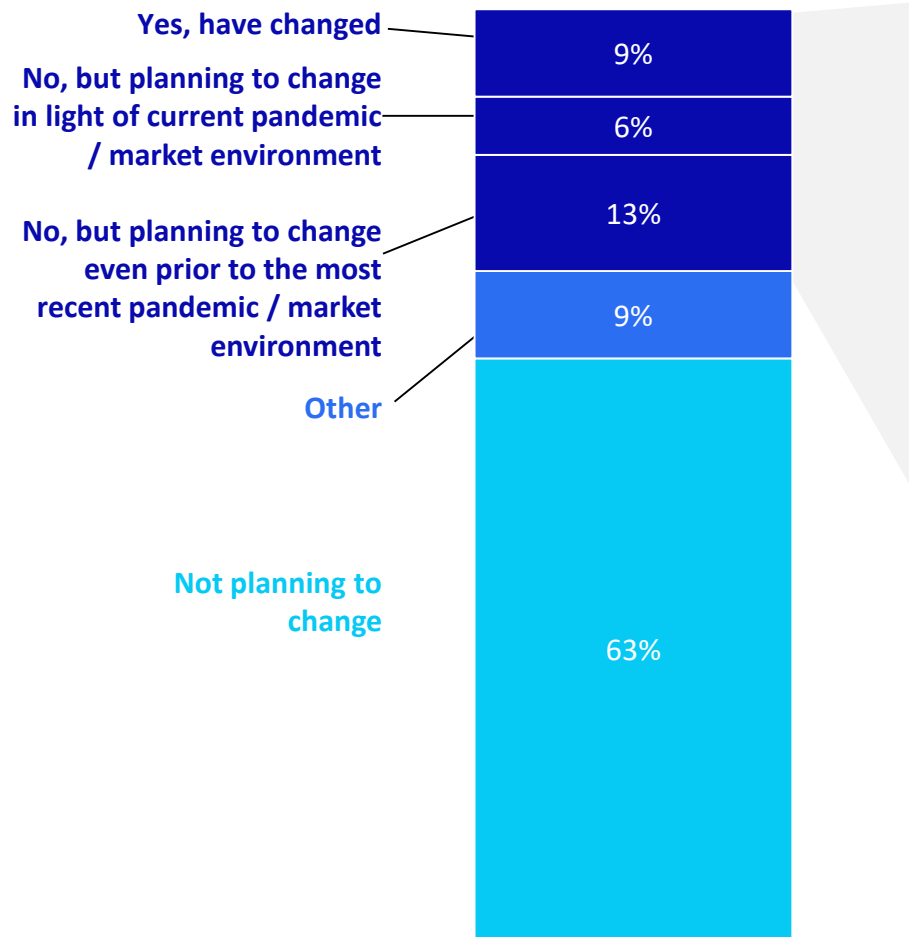
Question 13: If your company is not duration matched for in-force, what factors contribute to this? Please select all that apply. (n = 11)



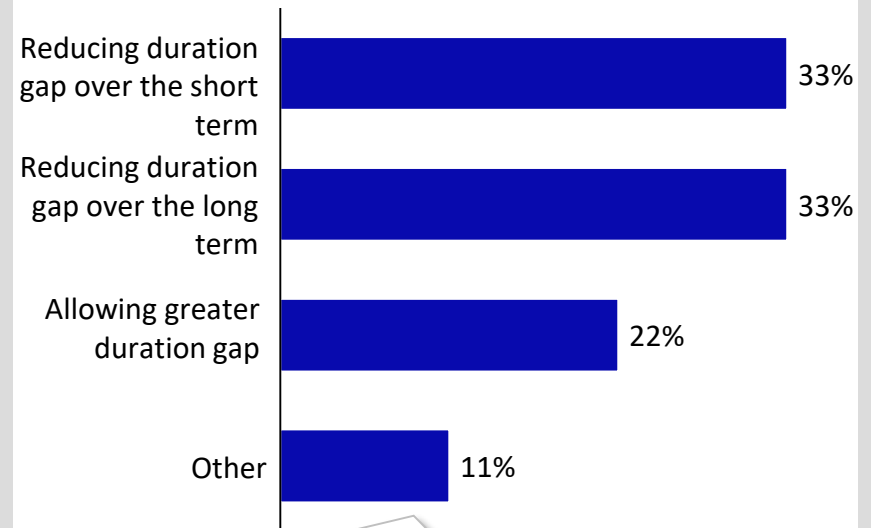
"We continue to gradually lengthen asset duration toward an increasing liability as rates have been falling"

~60% OF RESPONDENTS ARE NOT PLANNING TO CHANGE THEIR ALM STRATEGY FOR IN-FORCE POLICIES

Question 14: Is your company planning on changing its ALM strategy for in-force? (n = 32)



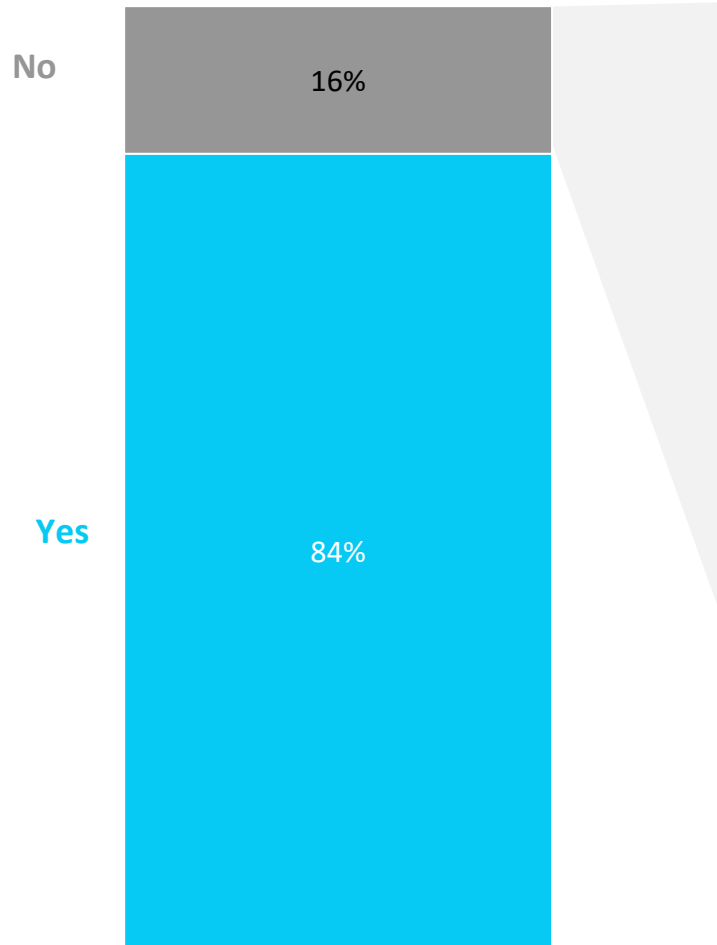
Question 15: How is your company changing / planning to change its ALM strategy for in-force? (n = 9)



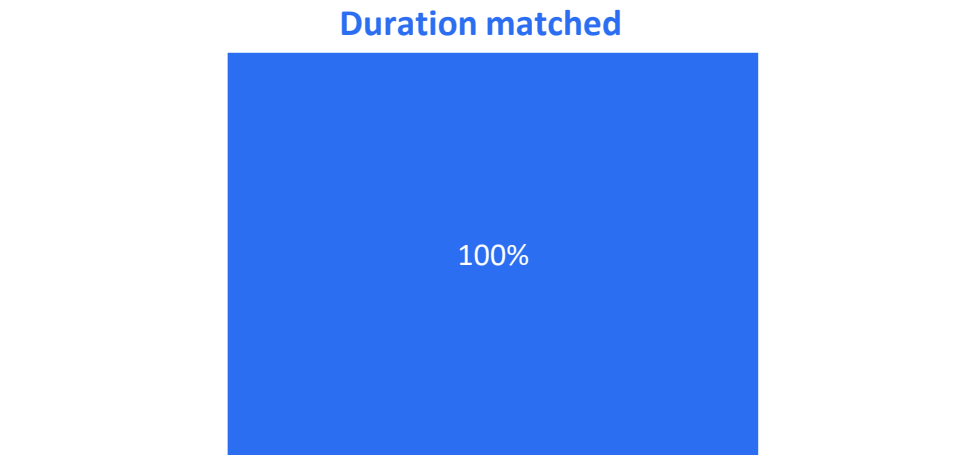
- "Duration inadequate, using other measures"
- "We plan to do a full evaluation of the current benchmark portfolio"

MOST RESPONDENTS FOLLOW THE SAME ALM STRATEGY FOR IN-FORCE AND NEW BUSINESS; THOSE WHO DO NOT ARE DURATION-MATCHED FOR NEW BUSINESS

Question 16: Does your company use the same ALM strategy for in-force and new business? (n = 32)

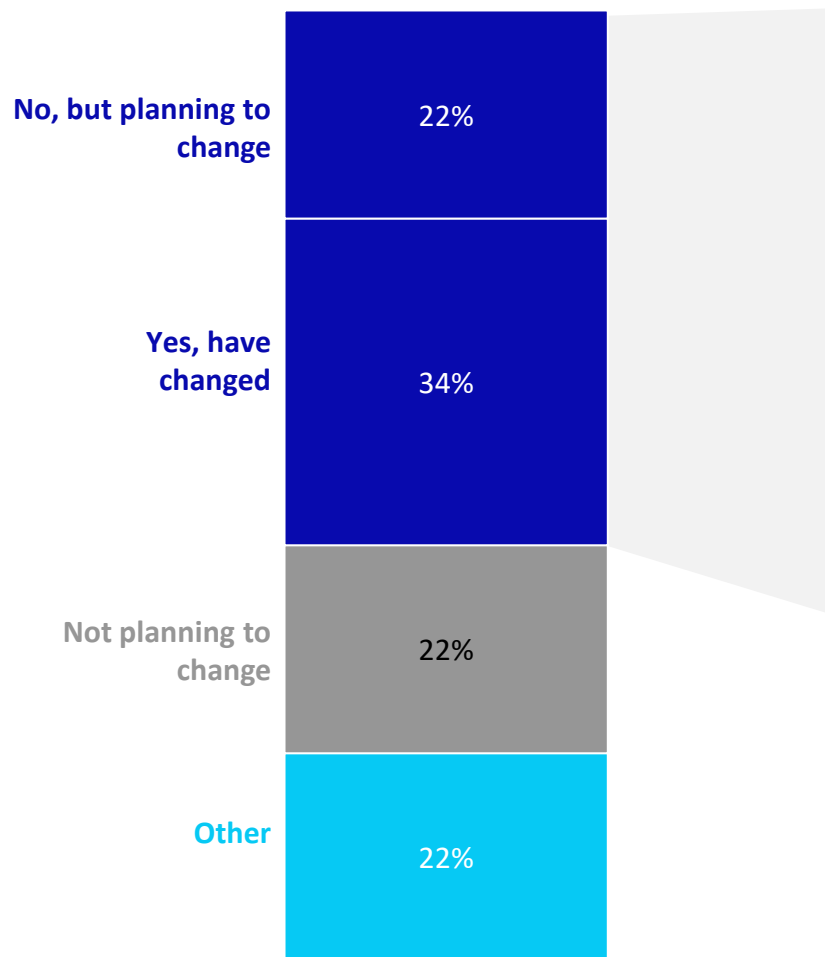


Question 17: How would you characterize your company's current ALM strategy for new business? (n = 5)

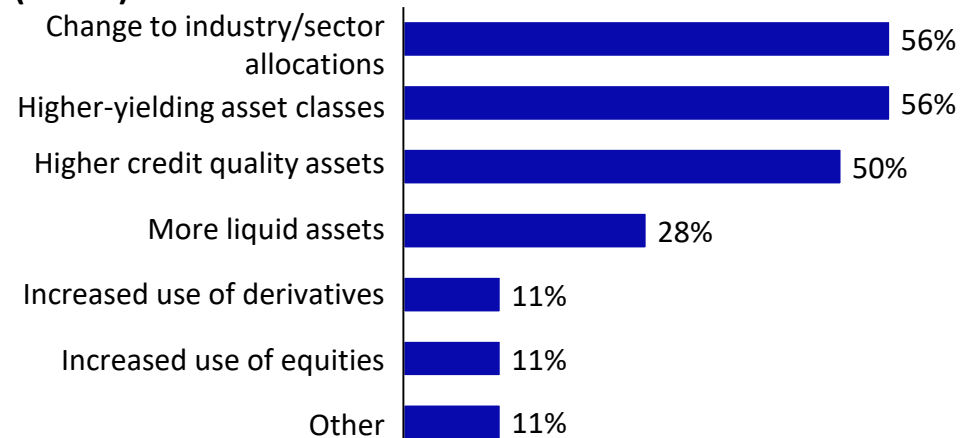


OF THE ~50% OF RESPONDENTS WHO HAVE OR PLAN TO ADJUST THEIR INVESTMENT STRATEGY, MOST PLAN TO CHANGE TO INDUSTRY/SECTOR ALLOCATIONS AND HIGHER-YIELDING ASSET CLASSES

Question 18: Is your company changing its investment strategy if recent conditions continue for the next several years? (n = 32)



Question 19: How is your company changing / planning to change its investment strategy? Please select all that apply. (n = 18)

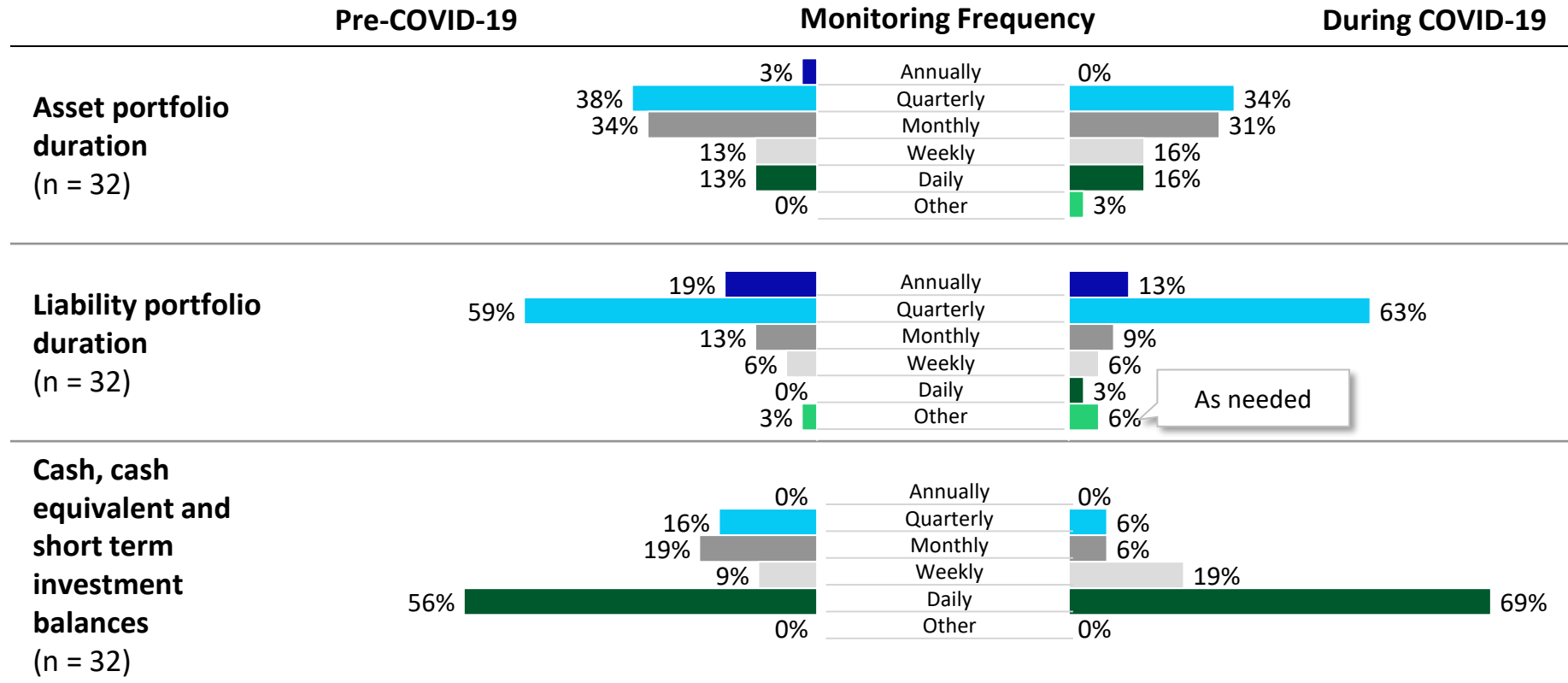


04

DATA & COMMUNICATION

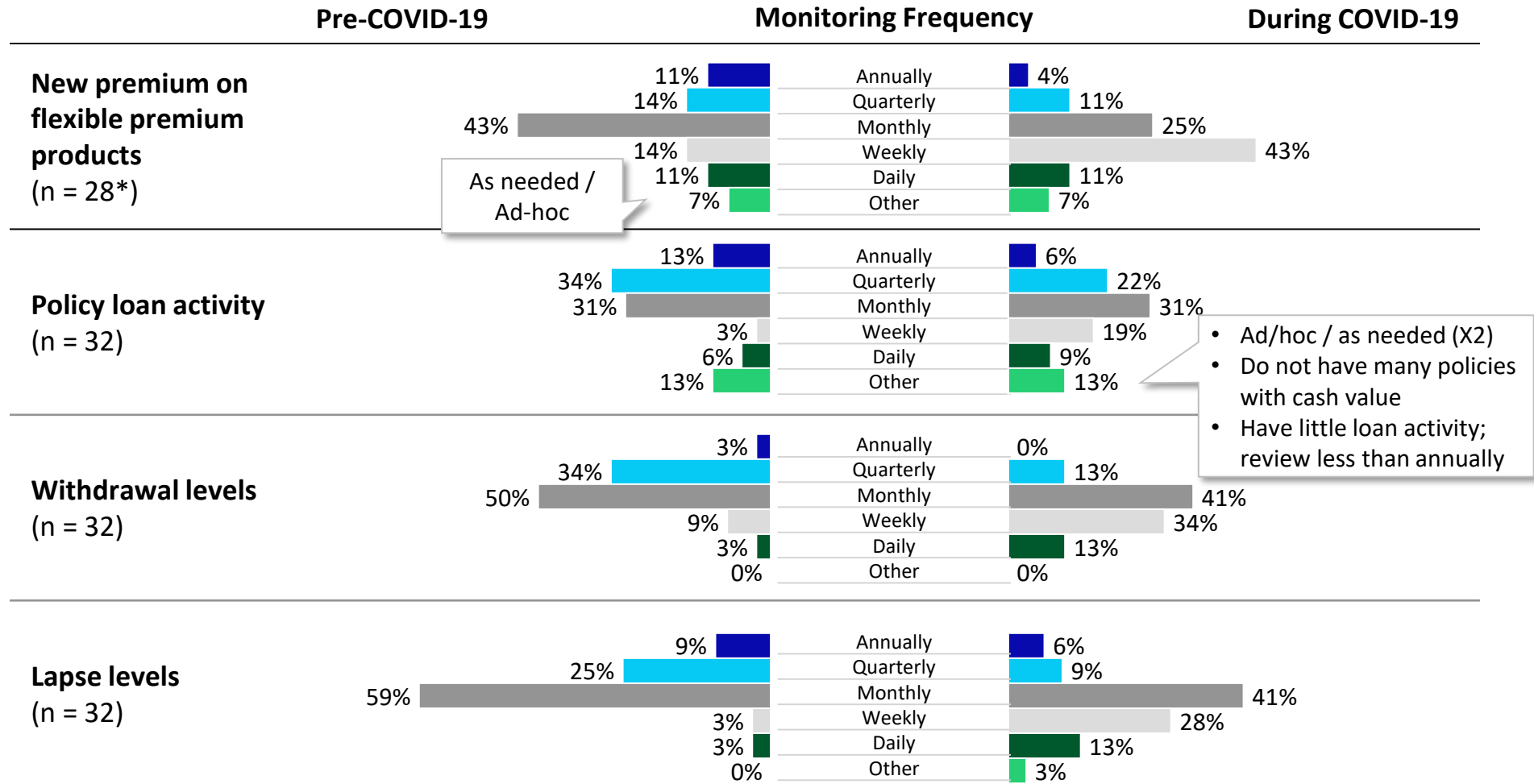
COMPANIES HAVE NOT SIGNIFICANTLY ADJUSTED MONITORING FREQUENCY FOR ASSET AND LIABILITY PORTFOLIO DURATIONS IN RESPONSE TO COVID-19

Question 26: What has been your company's monitoring frequency for the following factors before and during COVID-19?



GREATEST INCREASE IN MONITORING FREQUENCY REPORTED FOR ALM FACTORS IMPACTED BY CHANGES IN CUSTOMER BEHAVIOR

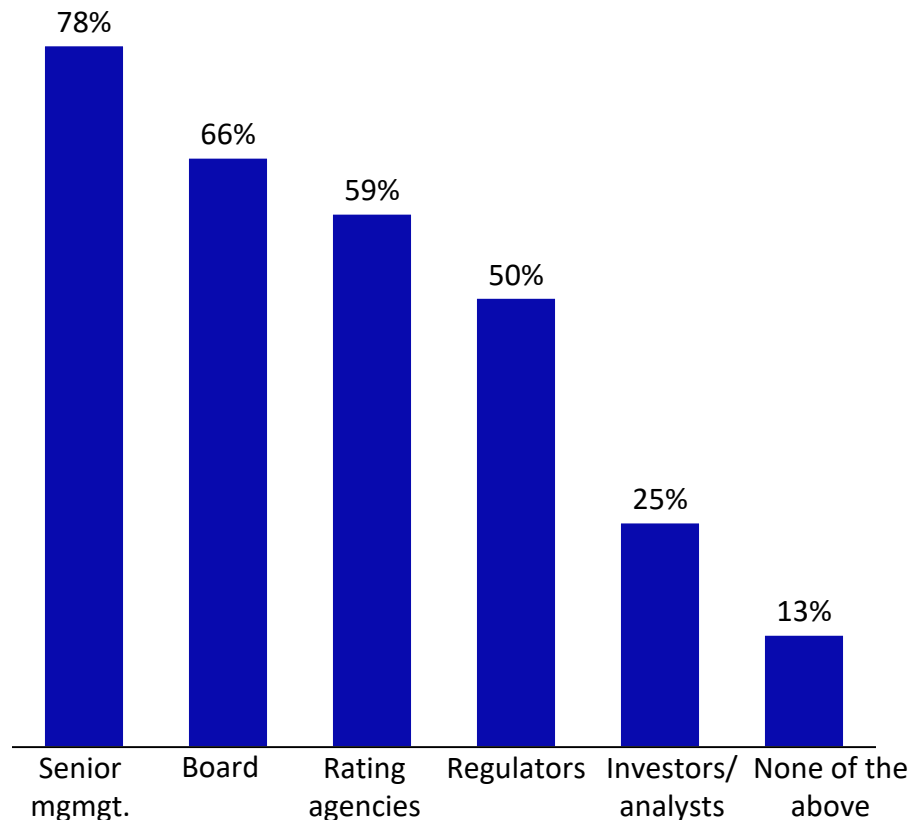
Question 26: What has been your company's monitoring frequency for the following factors before and during COVID-19?



* Excludes N/A responses (companies that do not offer flexible premium products)

COMMUNICATION FOCUSED ON FINANCIAL IMPACTS OF CURRENT MARKET ENVIRONMENT AND PLANNED RESPONSE

Question 27: Has your company received questions on the impact of the current market environment on its ALM position and strategy from any of the following stakeholder groups? Please select all that apply. (n = 32)



Question 28: What questions is your company being asked regarding the impact of the current market environment on its ALM position and strategy from these stakeholder groups? (n = 26)

Category	Response
Impact	<ul style="list-style-type: none"> Financial (X18): <ul style="list-style-type: none"> Capital, earnings, financial statements, expected capital ratio, liquidity, defaults in asset portfolio etc. Exposure to various asset classes Performance of ALM and hedging programs Cash flow Effect of increased mortality and morbidity on balance sheet Operational: Effect of work-from-home mandates
Response	<ul style="list-style-type: none"> Do we need to adjust our asset allocations and investment strategy (e.g., should we hedge) Pricing new business and in-force spreads Do policies need to be changed What stress scenarios are being tested
Other	<ul style="list-style-type: none"> Same as usual

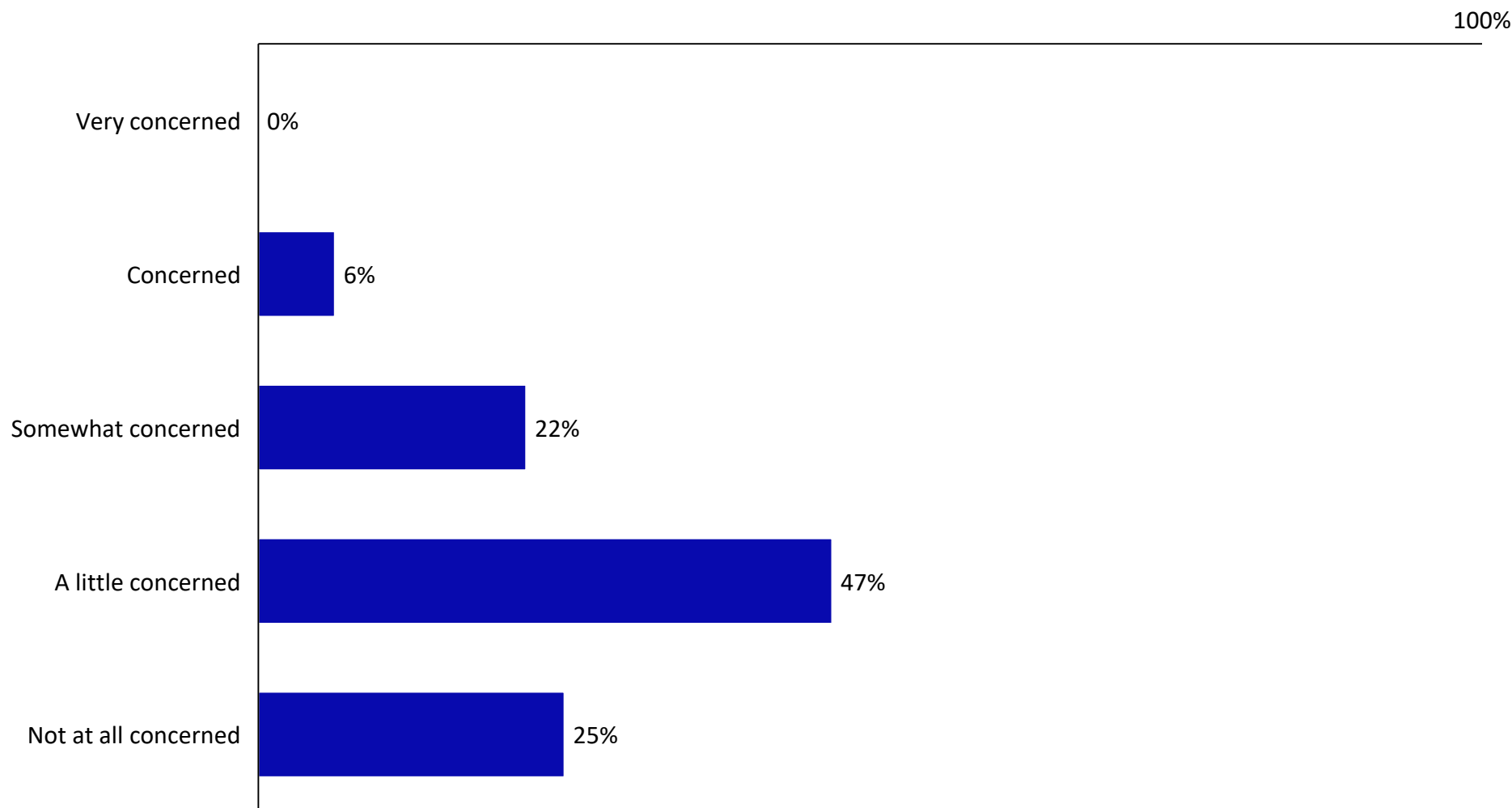
OPEN DISCUSSION AND NEXT STEPS

- **Any other topics for discussion?**
- **Proposed agenda for next Working Group call (5/7, 3pm)**
 - Distribution survey results
 - Update on advocacy efforts

APPENDIX 1: ALM SURVEY – DETAILED RESULTS

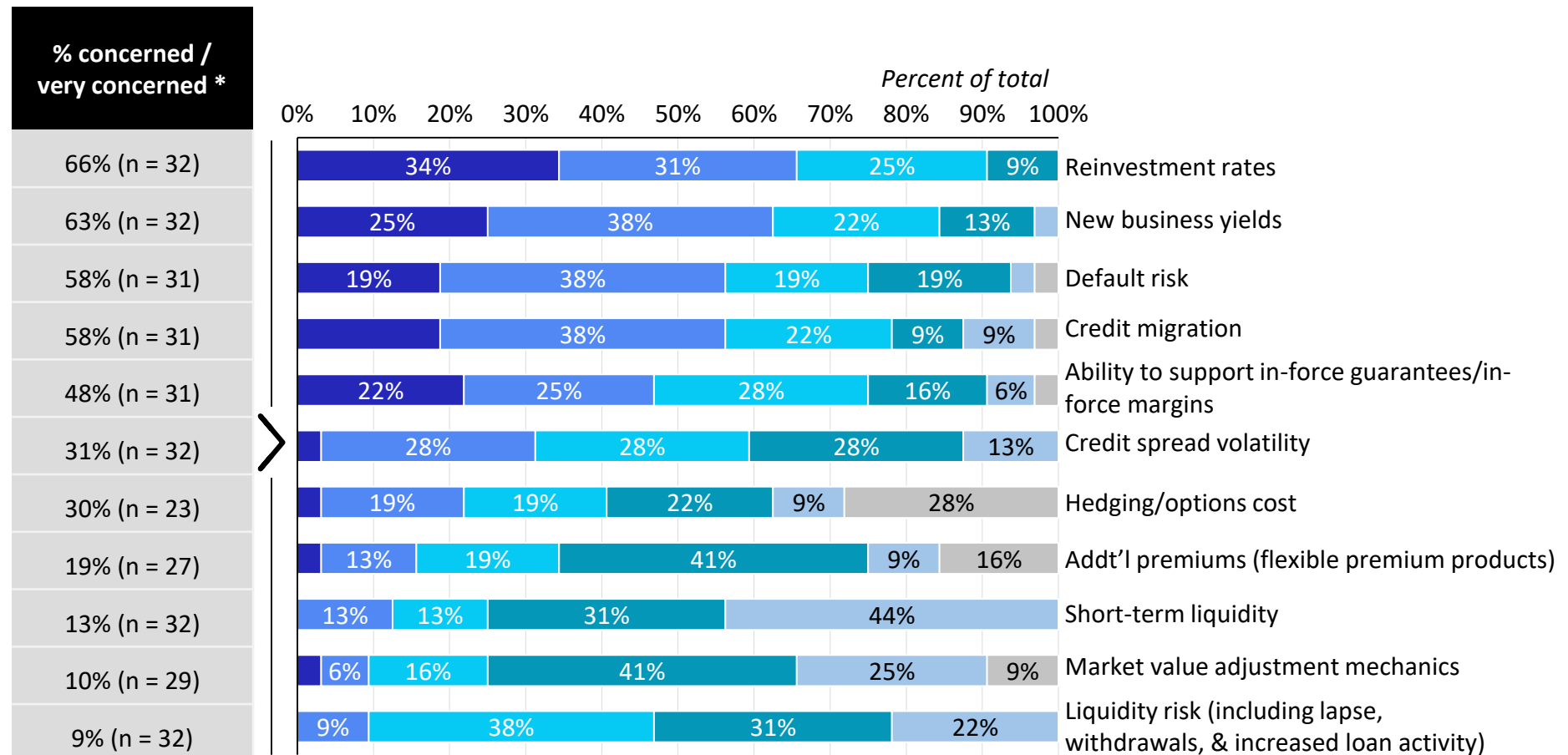
INFLATION RISK DOES NOT PRESENT A SIGNIFICANT CONCERN OVER THE NEXT 2-3 YEARS

Question 4: How concerned is your company about inflation risk over the next 2 - 3 years? (n = 32)



>60% OF RESPONDENTS CITE REINVESTMENT RATES AND NEW BUSINESS YIELDS AS MOST CONCERNING ALM-RELATED CHALLENGES

Question 3: How concerned are you about the following asset and liability-related challenges for your company? (n = 32)

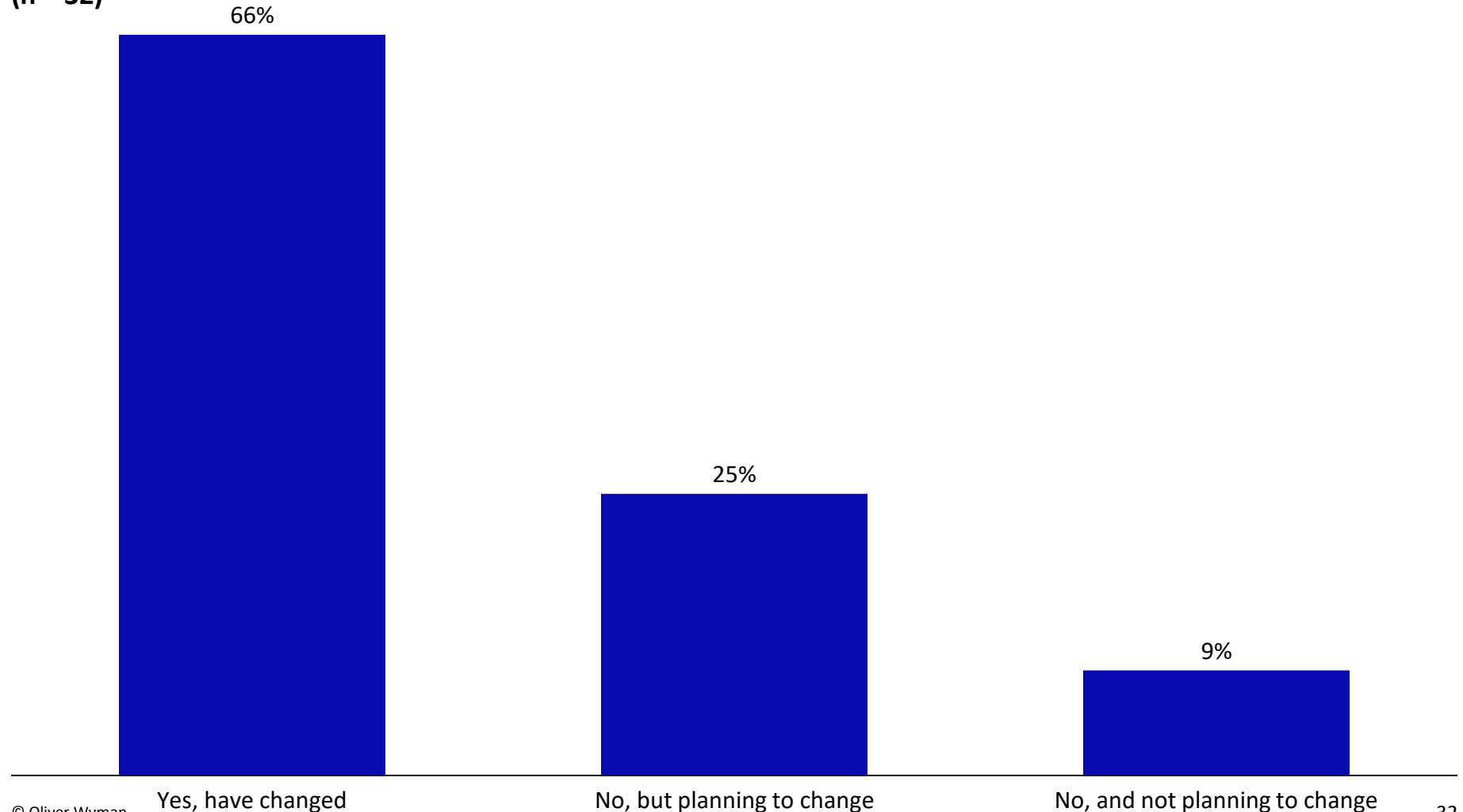


Concern ranking: **Very concerned** | Concerned | Somewhat concerned | A little concerned | Not at all concerned | N/A

* (n) excludes "Not applicable."

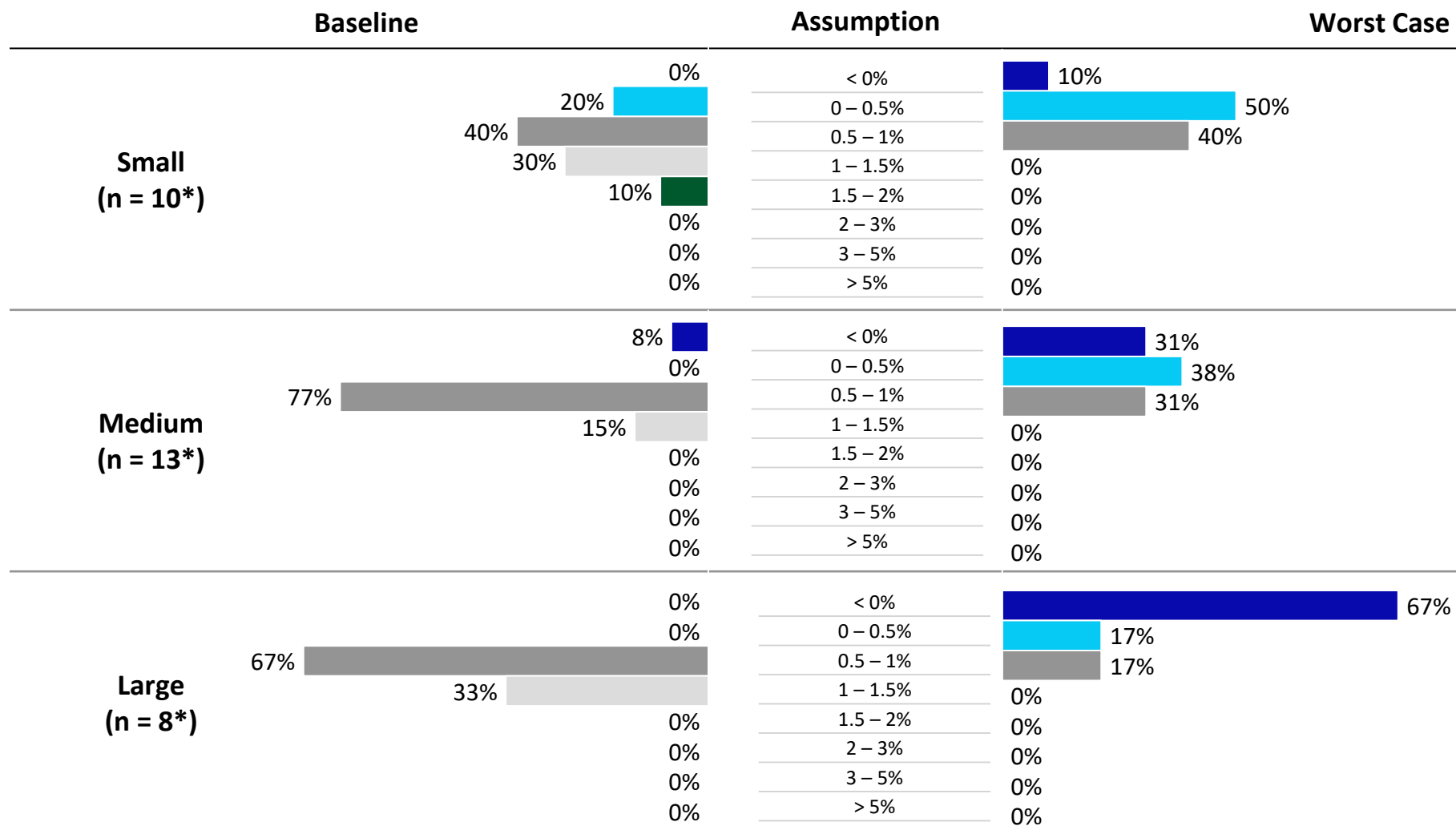
~90% OF RESPONDENTS HAVE OR PLAN TO REVISE THEIR MANAGEMENT SCENARIOS TO ADDRESS RECENT MARKET CONDITIONS

Question 6: Has your company revised its management scenarios for this year to address recent market conditions?
(n = 32)



INTEREST RATES (10-YEAR TREASURY AT END OF 2020) / SIZE

Question 9: What is your company anticipating for the following metrics for its management scenarios?

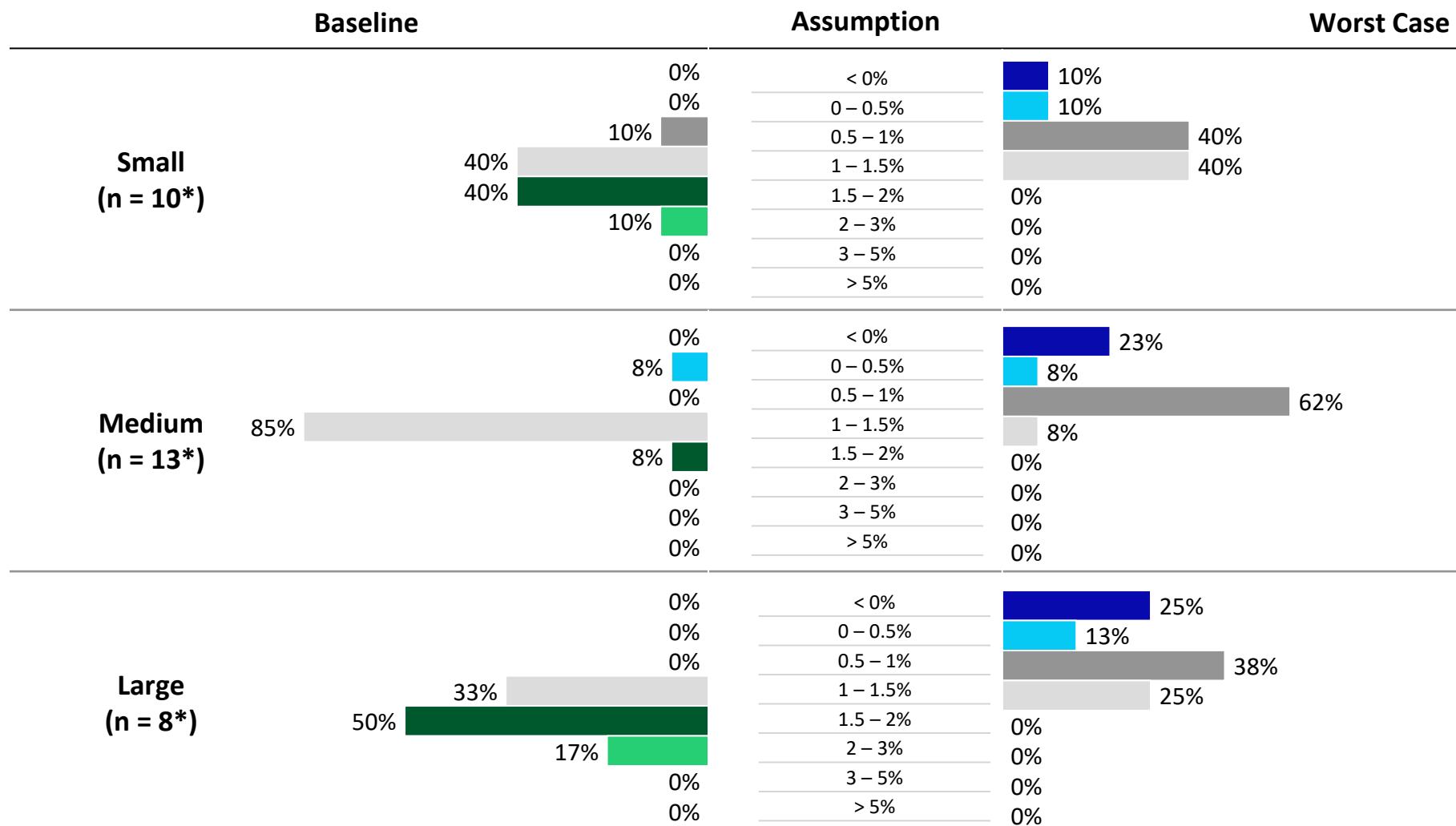


* Reinsurer excluded from responses by company size.

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

INTEREST RATES (30-YEAR TREASURY AT END OF 2020) / SIZE

Question 9: What is your company anticipating for the following metrics for its management scenarios?

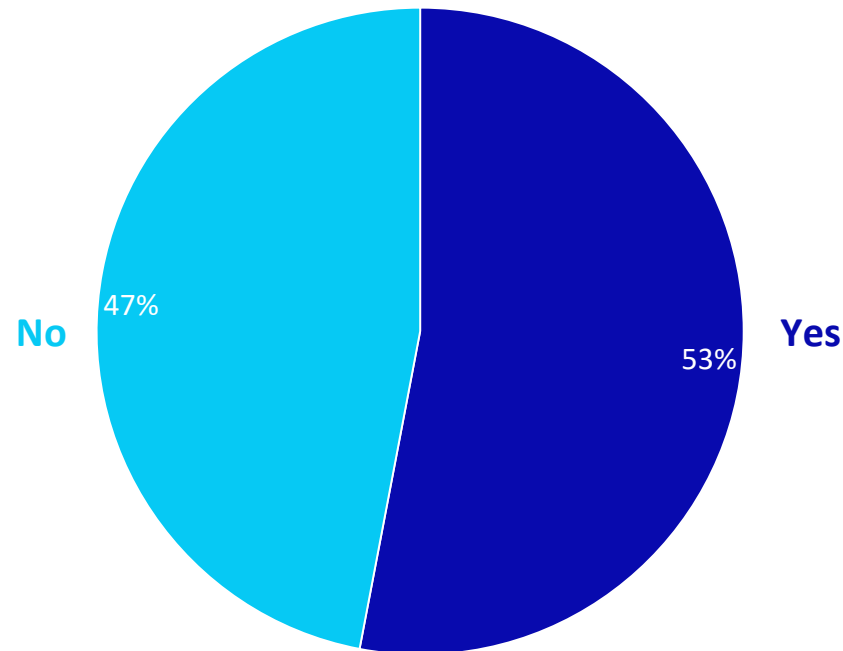


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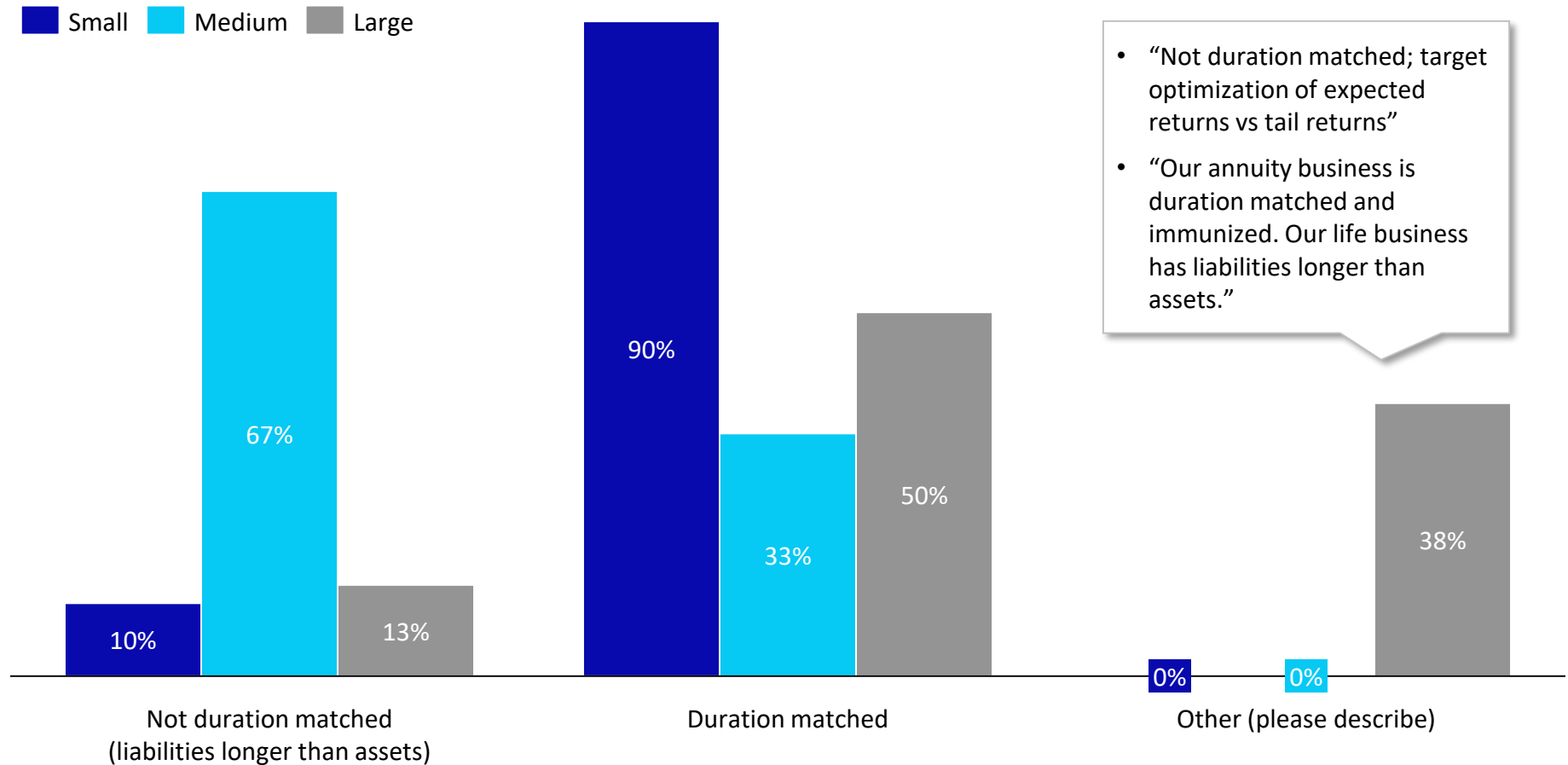
COMPANIES ARE ROUGHLY SPLIT BETWEEN ACCOUNTING / NOT ACCOUNTING FOR CREDIT MIGRATION IN THEIR MANAGEMENT SCENARIOS

Question 11: Does your company account for credit migration in its management scenarios? (n = 32)



IN-FORCE ALM STRATEGY / SIZE

Question 12: How would you characterize your company's current ALM strategy for in-force? (n = 10 small, n = 12 medium, n = 8 large*)

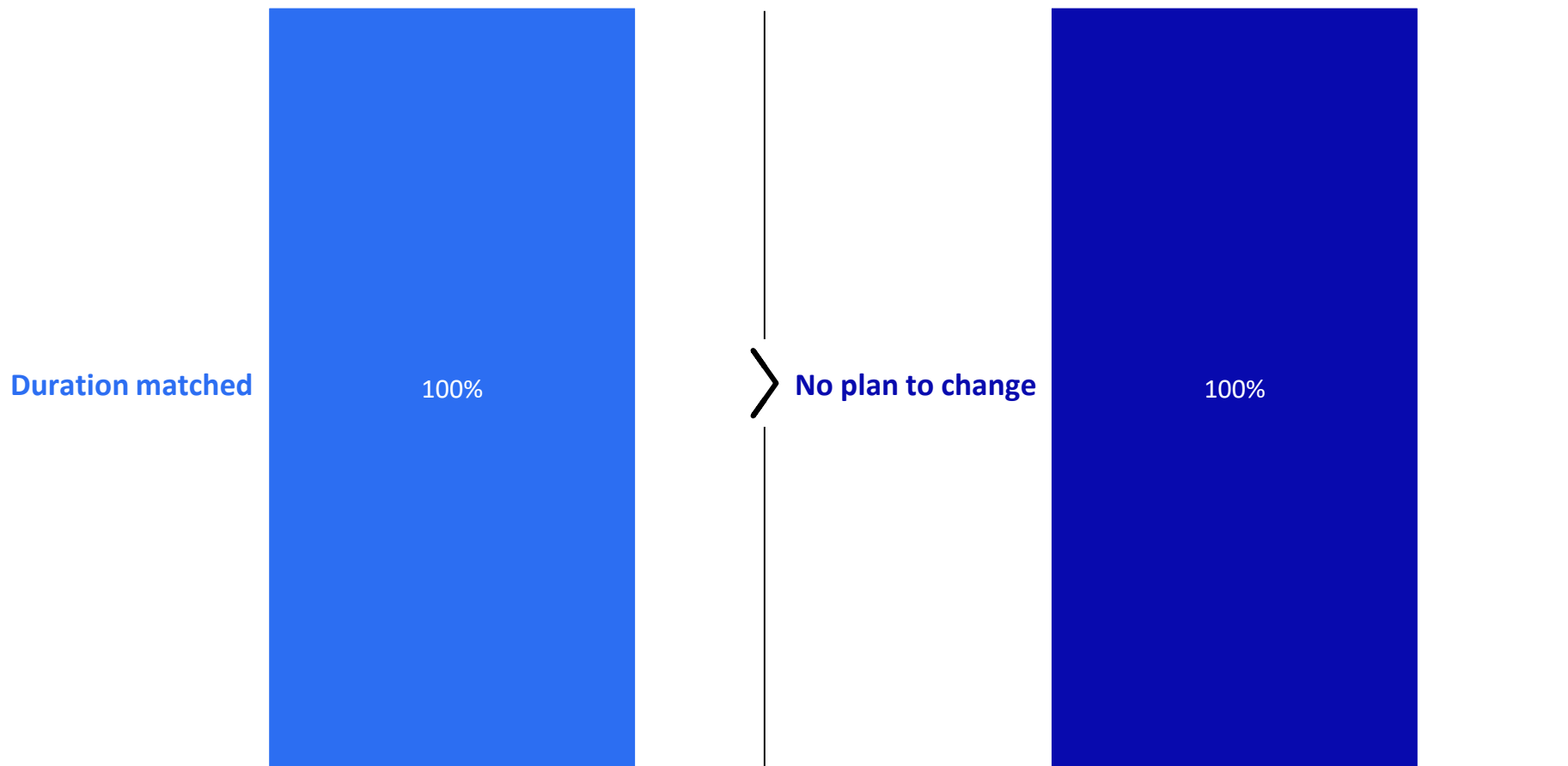


* Large companies (100+BN); Medium companies (10-100BN); Small companies (<10BN). Reinsurer excluded from responses by company size.

RESPONDENTS DO NOT PLAN TO CHANGE THEIR CURRENT NEW BUSINESS STRATEGY

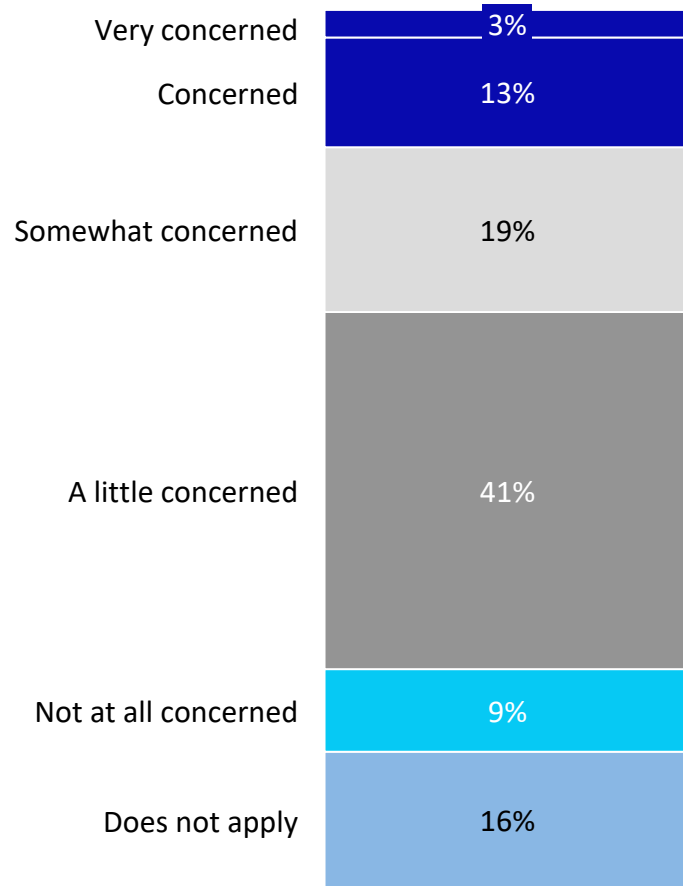
Question 20: How would you characterize your company's current ALM strategy for new business? (n = 5)

Question 21: Is your company planning on changing its ALM strategy for new business? (n = 5)

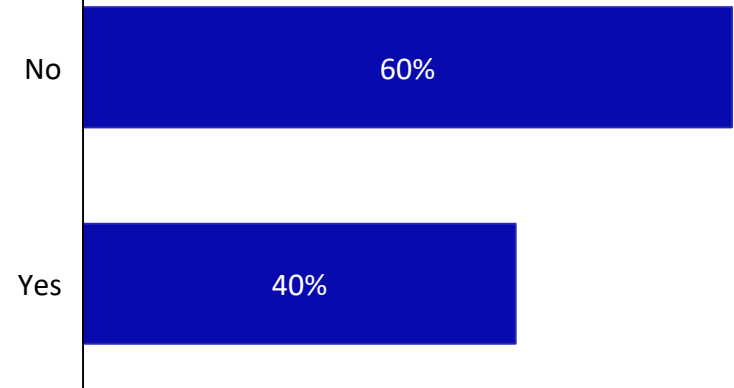


OF THE COMPANIES THAT ARE VERY CONCERNED/CONCERNED ABOUT ADDITIONAL PREMIUMS, 60% HAVE NOT ENFORCED CONTRACTUAL LIMITS IN THE PAST

Question 22: How concerned are you about additional premiums (flexible premium products) for your company? (n = 32)



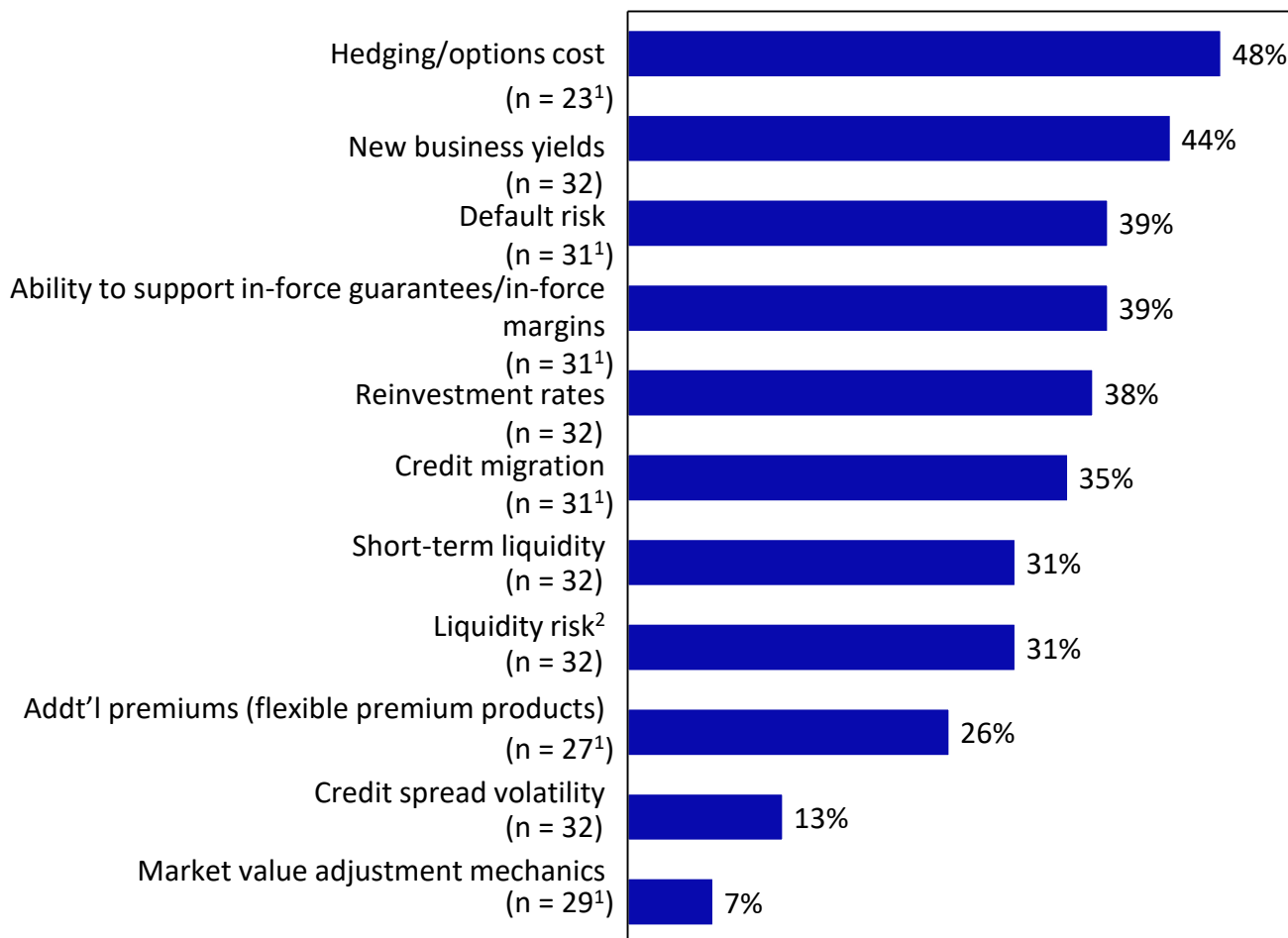
Question 23. Has your company enforced contractual limits on new premiums in the past where applicable? (n = 5)



COMPANIES PLAN TO ADDRESS A WIDE RANGE OF ALM-RELATED CONCERNS

Question 24: You indicated your company has some level of concern regarding the following items. Which items are you planning to take action to address? Please select all that apply.

100%



1. Excludes "Not applicable." 2. Including lapse, withdrawals, & increased loan activity

COMPANIES PLAN TO ADDRESS ALM CHALLENGES, FOCUSING ON IMPACT ASSESSMENT AND POTENTIAL RESPONSE (1/5)

Question 25: You indicated your company is planning to address the below factors. Please describe what types of actions your company is planning to take?

Factor	Response
Short-term liquidity (n = 10)	<ul style="list-style-type: none"> Investment management: <ul style="list-style-type: none"> Managing crediting rates on in-force business Implementing long-term investment selection process (maintain a larger percentage in short-term and cash) Exploring collateralized lines of credit from banking facilities Ensure adequate liquidity / capital (e.g., hold more cash, join the FHLB for short term liquidity needs) (X3) Frequent monitoring and communication of liquidity positions (X4)
Credit spread volatility (n = 4)	<ul style="list-style-type: none"> Opportunistic investing when spreads widen Considering a re-balancing of the corporate bond portfolio to a higher average credit rating Assess impact from COVID-19, closely monitor ongoing development and incorporate appropriate risk limits (X2)
Credit migration (n = 11)	<ul style="list-style-type: none"> Upgrade credit quality of the portfolio (X4) Stop new sales of single premium products Opportunistic sales of existing assets Review of portfolio holdings / tactical positioning; Testing credit migration under recessionary conditions (X4) We will sell high risk names to manage capital Defensive credit analysis

COMPANIES PLAN TO ADDRESS ALM CHALLENGES, FOCUSING ON IMPACT ASSESSMENT AND POTENTIAL RESPONSE (2/5)

Question 25: You indicated your company is planning to address the below factors. Please describe what types of actions your company is planning to take?

Factor	Response
New business yields (n = 14)	<ul style="list-style-type: none"> • Product repricing (X3) and product changes (e.g., align new products with availability of new money yields) (X2) • Lower crediting interest • Monitoring and potentially changing investment allocations (X2) • Careful review of return on capital hurdles, potential pricing baskets, and current investment strategies (X4) • Follow Moody's June 30 results
Reinvestment rates (n = 11)	<ul style="list-style-type: none"> • Review current investment strategies and practices (X3) • Investment management: <ul style="list-style-type: none"> – Manage duration and liquidity (e.g., lengthen purchases) (X2) – Engage in more hedging activities (X2), namely asset duration extension trades (swaps) – Only considering reinvestment opportunities without impacting our investment income yield • Rate actions where applicable

COMPANIES PLAN TO ADDRESS ALM CHALLENGES, FOCUSING ON IMPACT ASSESSMENT AND POTENTIAL RESPONSE (3/5)

Question 25: You indicated your company is planning to address the below factors. Please describe what types of actions your company is planning to take?

Factor	Response
Hedging/options cost (n = 12)	<ul style="list-style-type: none"> • Restructure hedge programs to be more sensitive • Shift towards more dynamic vs static hedging • We may use more futures based on hedging in near term • Reviewing costs as frequently as possible • Assess impact from COVID-19, closely monitor ongoing development and incorporate appropriate risk limits • Cost mitigation and basis risk tuning • Continue to explore alternative hedging strategies for GMWB and dividend flows from non-US operations • Lower renewal costs • Considering more affordable down rate protection hedging strategies
Default risk (n = 12)	<ul style="list-style-type: none"> • Tactical portfolio review (X4) • Increase credit monitoring to daily • Portfolio management / re-positioning (X8) <ul style="list-style-type: none"> – Potentially sell impacted assets – Careful / defensive credit selection and analysis <ul style="list-style-type: none"> - Considering a re-balancing of the corporate bond portfolio to a higher average credit rating - Incorporate appropriate risk limits

COMPANIES PLAN TO ADDRESS ALM CHALLENGES, FOCUSING ON IMPACT ASSESSMENT AND POTENTIAL RESPONSE (4/5)

Question 25: You indicated your company is planning to address the below factors. Please describe what types of actions your company is planning to take?

Factor	Response
Ability to support in-force guarantees/in-force margins (n = 12)	<ul style="list-style-type: none"> • Product repricing / changes in premia • Possibly looking for a reinsurance funding arrangement • Consideration of more risk types for diversification • Lowering in-force credited rates if possible; asset selection process to maintain product portfolio yields • Potential repositioning of portfolios to take into account the forward looking behavior characteristics of the business given new market environment (e.g., Hedging strategies to lock in the increase in value of receive fix swaps put on to protect legacy FDA business in 2018) (X2) • Review current crediting strategies and practices (X4) • Looking at dividend scales
Additional premiums (flexible premium products) (n = 6)	<ul style="list-style-type: none"> • Product management: <ul style="list-style-type: none"> – Repricing – May pause planned product launch depending on market conditions – Possibly limiting premium receipts (X4)

COMPANIES PLAN TO ADDRESS ALM CHALLENGES, FOCUSING ON IMPACT ASSESSMENT AND POTENTIAL RESPONSE (5/5)

Question 25: You indicated your company is planning to address the below factors. Please describe what types of actions your company is planning to take?

Factor	Response
Liquidity risk (including lapse, withdrawals, and increased loan activity) (n = 10)	<ul style="list-style-type: none"> • Proactive outreach to potential lapses to encourage reductions to their policies rather than lapsing (X2) • Through management of renewal rate setting • Implementing a selection process for long-term investments where we maintain a larger percentage in short-term and cash investments. We also maintain multiple external sources of liquidity (e.g. FHLB). • Review current liquidity strategies and practices (X2); ensure liquidity and capital resources are adequate (X4)
Market-value adjustments mechanics (n = 2)	<ul style="list-style-type: none"> • Assess impact from COVID-19, monitor ongoing development and incorporate appropriate risk limits • Changing allocation to on balance sheet alternatives and ICOLI alternatives that have a stable value wrap protection

NEW PREMIUM DEPOSIT ACTIVITY / PROPORTION OF CURRENT LIABILITIES WITH INTEREST GUARANTEES ABOVE CURRENT PORTFOLIO YIELDS

Question 29: How often is your company reviewing new premium deposit activity in the current environment? (n = 5)

Response

Daily

Weekly (X3)

Monthly

Question 30: What is the approximate proportion of your current liabilities that have interest guarantees materially above current portfolio yields? (n = 4)

Response

0%-5%

30%

6%

0% for gross portfolio yields; 85% for net of target spread yields

RESPONDENTS REPORT NOT USING NEGATIVE RATES BASED ON EXPECTATION OF NEGATIVE RATES AND SYSTEM/MODELING LIMITATIONS

Question 31: If your company is not considering negative Treasury rate (10 year) scenarios for management scenarios, why not? (n = 21)

Category	Response
Expectation of negative rates	<ul style="list-style-type: none"> • Our company believes that rates will not go below zero for a meaningful amount of time (X4) • Management belief that rates will not go negative • There has been broad consensus at the Fed that zero is the effective lower bound for interest rates (X4) • We believe that the Treasury will take countermeasures to prevent them from happening over a long period of time
Limitations	<ul style="list-style-type: none"> • We floor rates at 1 basis point • We are considering but not certain yet if the software code can handle
Other	<ul style="list-style-type: none"> • Under consideration (X8) • We do not believe that this would inform our ALM decision in the near term; we perform ALM quarterly and can easily adjust next quarter • Our stress scenarios consider negative rates at the shorter end of the curve. In those scenarios, the 10 year rate goes to .2% • Would not greatly impact our models

APPENDIX 2: ADVOCACY PRIORITIES

ADVOCACY PRIORITIES (UPDATED 4/29)

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. Actuarial Committee Call on 4/28 to decide approach
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 4/23 distributed potential edits to Model #805 to Actuarial Committee

ADVOCACY PRIORITIES (UPDATED 4/29)

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 04/23 Weekly calls of the 4 ACLI LTC workstreams continue

ADVOCACY PRIORITIES (UPDATED 4/29)

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 4/29)

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 FASB</p> <p>4/08- FASB to meet to discuss "pressing accounting questions"</p> <p>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> <p>04/23/2020 – ACLI has arranged for eight members to video conference or call with FASB Members and staff to discuss and FASB to 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>03/20/2020 - ACLI sent a letter to FASB asking to give more time, at least one year, to implement ASU 2018-12, the new insurance accounting standard.</p>

ADVOCACY PRIORITIES (UPDATED 4/29)

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>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> <p>04/23/2020 – ACLI, NASVA and PPIA sent a joint letter to the NAIC Statutory Accounting Principles Working Group requesting providing troubled debt restructuring relief and impairment relief to all loans, a most urgent need because companies are doing temporary short-term loan modifications directly related to COVID-19, especially in the private placement debt.</p>

ADVOCACY PRIORITIES (UPDATED 4/29)

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> <p>04/16/2020 – At the urging of ACLI and others, U.S. Senators Jerry Moran (KS) and (NC) sent a letter to SEC Chairman Jay Clayton urging the SEC & FASB to extend CECL relief to all Financial Institutions (including life insurers) in order to ensure a level playing field.</p>

ADVOCACY PRIORITIES (UPDATED 4/29)

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			<p>3/27 - NAIC released an interpretation for COVID-19 delayed payments (INT 20-02T)</p> <p>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.</p>

ADVOCACY PRIORITIES (UPDATED 4/29)

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. 04/16/2020 – At the urging of ACLI and others, U.S. Senators Jerry Moran (KS) and (NC) sent a letter to SEC Chairman Jay Clayton urging the SEC & FASB to extend CECL relief to all Financial Institutions (including life insurers) in order to ensure a level playing field.

ADVOCACY PRIORITIES (UPDATED 4/29)

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 4/29)

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 4/20 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 4/14 - Discussion with chair of Investment RBC WG. WG to be disbanded. 4/21 Talked to chair of Capital Adequacy Task Force, with a tentative agreement to expose the RBC RE proposal 4/22 ACLI sent all materials for expedited exposure to chair and NAIC staff 4/23 Chair of Capital Adequacy Task Force responded that any work on the RBC RE proposal will occur after the COVID-19 restrictions have been lifted. The RBC real estate proposal will not be exposed prior to April 30, 2020.

ADVOCACY PRIORITIES (UPDATED 4/29)

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			04/22/2020 – NAIC issued Question & Answer on Guidance for Mortgages for March 31-June 30 Statutory Financial Statements and Related Interim Risk-Based Capital Filings Background Information: On March 27, the Financial Condition (E) Committee issued guidance to encourage insurers to work with borrowers who are unable to, or may become unable to meet their contractual payment obligations because of the effects of COVID-19. Nothing in that guidance supersedes the requirement or authority of any state, particularly any state that has separately issued COVID-19 orders, directives or other guidance the impact of which may lead to debt becoming troubled and/or needing to be restructured.

ADVOCACY PRIORITIES (UPDATED 4/29)

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 4/29)

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/E X 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

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

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
Participants: 1. Participants: 2. Marcia Wadsten / Angie Matthews, Jackson 3. Stephen Turer, Lincoln 4. Keith Werschke / David Chang, Pacific Life 5. Scott Orr / Chia Yin Chew, MetLife 6. Dan Jackson, Athene 7. Connie Tang, Prudential 8. Mark Kalinowski, Sammons 9. Steve Cramer / LT Grant, Protective 10. Jacob Steuber, Western Southern	Participants: 1. Adam Brown, Allianz 2. Cliff Lange, Boston Mutual 3. Stephen Turer, Lincoln 4. Betsy Ward, Mass Mutual 5. Quentin Doll, Northwestern Mutual 6. Jodi Kravitz / Andrew Ng, NY Life 7. David Lautenschlager, Pacific Life 8. Liz Dietrich / Vy Ho, Prudential 9. Meagan Phillips, Securian 10. Brian Sward, Jackson 11. Katie Bezold, Western & Southern	Participants: 1. Dan Jackson / Jeff McClure, Athene 2. Scott Orr / Jack Geiger, MetLife 3. Linda Durman, Sammons 4. Bill White, USAA 5. Todd Henderson, Western Southern Life 6. Chris Trost, Northwestern Mutual 7. Oksana Cherniavsky, NY Life 8. Ed Freeman, Guardian Life 9. Steve Cramer / Adam Adrian / Lance Black, Protective	Participants: 1. Michael Harwood, AIG 2. Doug King, Athene 3. Marcia Wadsten, Jackson 4. Betsy Ward, Mass Mutual 5. Stephen McNamara, NY Life 6. Linda Durman, Sammons 7. Aaron Sarfatti, Equitable 8. Michael Slipowitz, Guardian Life 9. Brock Peters, Prudential 10. Miranda DiMaria / Chris Kinnison, Principal	Participants: 1. Cliff Lange, Boston Mutual 2. Deborah Vandommelen, Northwestern Mutual 3. Joel Sklar, Prudential 4. Meagan Phillips, Securian 5. Bill White, USAA 6. Amy Rider, Sammons 7. Liz Brill, NY Life 8. Sam Early, Principal 9. Tim Wood, Protective 10. Dan Harris, Western Southern	Participants: 1. Michael Brodeur / Johnpaul Van Maele, AIG 2. Adam Brown, Allianz 3. Quentin Doll, Northwestern Mutual 4. Steve Rueschhoff, Edward Jones 5. Paul Mineck, Allstate 6. Brian Delegat, Nationwide 7. Jerry Blair / Amy Rider, Sammons 8. Anthony Vossenbergh, Thrivent 9. Steve Sanders, F&G Life 10. Phil Pellegrino, UBS 11. Joe Toledano, Morgan Stanley
	Wayne Chopus / Frank O'Connor, IRI				Jason Berkowitz / Wayne Chopus, IRI

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