



NAIC Update

SOUTHEASTERN ACTUARIES
CONFERENCE MEETING
JUNE 12-14, 2002

Presented By:
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Life and Health Actuarial Task Force

Regulation To Adopt 2001 CSO Table

- Male/Female, Nonsmoker/Smoker permitted
- Mandatory minimum after 1/1/08
- No 2001 Extended Term Table – Use 2001 CSO
- Must use for both valuation & nonforfeiture
- For NS/S rated plans – can use either “composite” or NS/S tables



● Regulation To Adopt 2001 CSO Table (cont.)

- When 2001 CSO table is elected, asset adequacy opinion required
- Company must collect/submit in force and death data annually (exempt if <50,000 in force and <100 deaths in year)
- May use gender-blended if rates are gender-neutral or M/F not permitted
- Blending by gender is to be linear
- 2001 CSO Table is ANB; may use ALB conversion from TSA XXXIII



● Actuarial Guideline AXXX

- Application guidance for Valuation of Life Insurance Model Regulation
- Covers features that constitute “guarantees” under the Regulation
- Recommends how to reserve for these guarantees
- Intent is to establish reserves for guarantees, implied or otherwise



● Actuarial Guideline AXXX (cont.)

- Guideline outlines 8 plan designs that create in effect longer term guarantees and require higher reserves under the Model
- Effective earlier of the Model's adoption or codification



Actuarial Guideline XYZ

- Application guidance where minimum CV's for UL policies with secondary guarantees are required
- Guideline provides “methods and standards” to determine minimum CV's
- Applies only to secondary guarantees > 20 years
- Minimum CV over secondary guarantee period is a Fackler type accumulation



● Actuarial Guideline XYZ (cont.)

- Accumulation uses modified COI's using an "R" factor
- Determination of "R" factors is critical
- If "R" factors ≥ 1 , Guideline does not apply
- If more than 1 secondary guarantee, min CV value is greater of respective min CV's



● Actuarial Guideline XYZ (cont.)

- Unilateral changes to secondary guarantees made by company apply from issue
- All other changes assumed made at time of change
- Effective 2 years after NAIC adoption



Life Insurance and Annuity (A) Committee


● Life Insurance and Annuity Suitability Law/Regulation

- Promulgated by working group of life insurance & annuities (A) committee
- Adopted and forwarded to life insurance & annuities (A) committee
- Requires all recommendations for purchase to be “suitable” recommendations



● Life Insurance and Annuity Suitability Law/Regulation (cont.)

- Insurer determines what information is relevant for making a “suitable” recommendation (age, income, objectives, etc)
- Insurer must provide guidelines and procedures to field

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- **Life Insurance and Annuity Suitability Law/Regulation (cont.)**
 - Insurer must monitor compliance and effectiveness of suitability criteria
 - Numerous products exempt; I.E., Variable, direct response, ERISA plans



● Small Face Amount Policies

- Small Face Amount Working Group of Life Insurance & Annuities (A) Committee
- Illinois developing possible regulation
- Would require appropriate disclosures when premiums bear some relationship to face amount
- Awaiting info on TX HB 2415 study to evaluate premium/FA relationship; Report is due by 12/31/02



CARFRA

- Coordinated Advertising Rate & Form Review Authority
- NAIC Model would create an interstate insurance compact; the Interstate Insurance Commission for Annuities, Life Insurance, DI & LTC Products
- Eliminates the need for an optional federal charter in some areas



● CARFRA (cont.)

- 12 member-state Management Committee (includes 6 largest by premium)
- Begin filing reviews once 26 states have joined
- Establish guidelines for advertisements and forms filing approvals
- Requires state enabling legislation to implement



● CARFRA (cont.)

- Commission is a non-profit entity
- Over 200 interstate compacts exist today
- Funded by NAIC, compacting states, and filing fees
- ACLI concerns: no time frame, venue, self-certification, advertisements



● Race Based Pricing Working Group

- Response to NAIC following AG settlement
- Working Group monitoring multi-state exam process
- AG, Unitrin, ING largest settlements to date
- Also includes multiple policy issue
- Issue is a high priority for NAIC



Other NAIC Items of Interest

- Seniors Issue (B) Task Force – Med Supp and LTC
- SERFF
- Risk Based Capital (E) Task Force – Health RBC
- NAIC Website – www.naic.org



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