LIFE INSURANCE AND ANNUITIES (A) COMMITTEE

Draft Pending Adoption

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Life Insurance and Annuities (A) Committee
Indianapolis, Indiana
March 25, 2025

The Life Insurance and Annuities (A) Committee met in Indianapolis, IN, March 25, 2025. The following Committee members participated: Judith L. French, Chair (OH); Doug Ommen, Co-Vice Chair, (IA); Carter Lawrence, Co-Vice Chair, (TN); Mark Fowler (AL); Anita G. Fox (MI); Eric Dunning represented by Maggie Reinert and Michael Muldoon (NE); Justin Zimmerman (NJ); Glen Mulready (OK); Elizabeth Kelleher Dwyer represented by Matthew Gendron (RI); Cassie Brown represented by Rachel Hemphill (TX); Scott A. White (VA); and Nathan Houdek (WI).

1. Adopted its 2024 Fall National Meeting Minutes

Commissioner Fowler made a motion, seconded by Commissioner Lawrence, to adopt the Committee's 2024 Fall National Meeting minutes (*see NAIC Proceedings – Fall 2024, Life Insurance and Annuities (A) Committee*). The motion passed unanimously.

2. Heard a Federal Update

Taylor Walker (NAIC) gave an update on the status of the U.S. Department of Labor's (DOL's) proposed Retirement Security Rule, also known as the fiduciary rule. Walker explained that on Feb. 11, the U.S. Department of Justice (DOJ), on behalf of the DOL, filed a motion with the Fifth U.S. Circuit Court of Appeals requesting a 60-day pause in court proceedings regarding the fiduciary rule to give new Trump administration officials time to familiarize themselves with the rule as well as the two lawsuits, brought by industry groups, challenging it. On Feb. 14, the court approved the DOL's request for a 60-day pause.

Walker reminded the Committee that last September, the DOL, under the Biden administration, filed an appeal to the Fifth Circuit asking it to reinstate the rule after it was blocked by two federal courts in Texas. The Trump administration will review those appeals. On March 19, Rep. Tim Walberg (R-MI), chair of the House Committee on Education and the Workforce, sent a letter to newly appointed DOL Secretary Lori Chavez-DeRemer calling on the DOL to rescind the Biden administration's fiduciary rule, among other regulations he believes to be burdensome.

Walker explained that Republicans on Capitol Hill widely oppose the fiduciary rule and, under the Biden administration, made attempts to overturn it via Congressional Review Act resolution. That resolution, introduced in both the House and Senate, died last Congress and has not been re-introduced as of this update. Walker explained that the fiduciary rule seeks to expand fiduciary standards and extend responsibilities to those selling annuities and individual retirement accounts (IRAs) to rollover investors. Unlike the Obama-era 2016 fiduciary rule, the current version would make one-time advice, including rollovers, a fiduciary transaction. The rule was finalized last April, under the Biden administration. It was set to take effect Sept. 23, 2024, but was sidelined by lawsuits, and the rule is now on hold until those disputes are resolved. Walker said the DOL under the Trump administration is not expected to defend the rule, but how any reversal takes place is unclear until the 60-day pause is up, which will be in April.

3. Received a Status Report on Life Insurance Priorities

Commissioner Ommen updated the Committee on two projects that the Committee will be working on this year. The first is an annuity enforcement training continuing legal education (CLE) course that will take place in conjunction with the 2025 Insurance Summit scheduled in September in Kansas City. The training will include a

90-minute classroom session covering annuities generally and annuity suitability, as well as practical general skills training. More information on the details and exact timing of the training will be provided in the coming months.

Commissioner Ommen said the second project is the development of a resource to make state insurance department administrative law decisions, especially decisions involving annuity suitability, easily accessible, whether through existing databases or through the creation of a new resource channel. The Committee will be kept up to date on new developments.

4. Adopted the Report of Life Actuarial (A) Task Force

Hemphill said the Life Actuarial (A) Task Force met March 22-23, 2025. During its meetings, the Task Force continued its progress toward implementing a replacement economic scenario generator effective Jan. 1, 2026. This included making key decisions needed regarding scenario selection, the Stochastic Exclusion Ratio Test, and the Deterministic Reserve.

Hemphill said the Task Force also discussed the regulator reviews of illustrations for indexed universal life products, where reviewers identified a concern with the inclusion of multiple historical averages, sometimes based on back-casted or simulated historical performance where indices have only been recently created, being shown in tables side-by-side with the maximum illustrated rate. The Task Force discussed making very targeted revisions to the additional disclosures section of *Actuarial Guideline XLIX-A—The Application of the Life Illustrations Model Regulation to Policies With Index-Based Interest Sold on or After December 14, 2020* (AG 49-A) to address this issue. Draft revisions will be exposed at the Life and Annuity Illustration (A) Subgroup level, and there will be the opportunity for robust discussion of the draft language during future Subgroup meetings.

Hemphill said the Task Force discussed comments received on the asset adequacy testing (AAT) for reinsurance actuarial guideline draft and potential edits that would be responsive to the comments received, including edits that clarified and simplified the guideline. An updated draft was re-exposed for comment until April 24.

Commissioner Ommen made a motion, seconded by Commissioner Lawrence, to adopt the report of the Life Actuarial (A) Task Force. The motion passed unanimously.

5. Heard Presentations on International Perspectives on Life Insurance and Annuities

A. Presentation on Life Insurance and Annuities in Morocco

Siham Ramli (Supervisory Authority of Insurance and Social Welfare—ACAPS) shared insights about life insurance and annuities in Morocco. Over the past 10 years, the government of the Kingdom of Morocco has taken important steps to develop the insurance sector and improve insurance supervision through the creation of an independent authority—ACAPS. In 2016, ACAPS was established as an independent body entrusted with the regulation and supervision of the insurance and social welfare sectors. The ACAPS mission is to provide prudential supervision, market conduct supervision, financial stability, macroprudential supervision, and policyholder protection. ACAPS is managed by the chairman, the board, two advisory bodies, and six directorates.

Ramli explained that there are 24 insurance companies in Morocco: 11 composite insurers, two life insurers, two non-life insurers, five travel insurers, three credit insurers, and one reinsurer. Seven are foreign-owned companies. Morocco has diversified distribution channels for all lines of insurance ensuring broad access: brokers (31%), bank insurance (31%), agents (22%), and insurers (16%). Ramli explained that assets held by life insurers have increased from 91.1 in 2019 to 129.9 in 2023, with the breakdown of life insurance assets in 2023 being 57% interest rate assets, 34% equity assets, 5% real estate, and 3% other assets. The market penetration rate is 3.8% and is among the highest on the continent. In 2024, the entire insurance market grew by 5.3% with $6 billion in total premiums collected. Life insurance premiums reached $2.7 billion, up by 6% compared to 2023. Life insurance penetration has been stable over the past five years. In the life insurance market, the distribution channels are strongly driven by bank insurers reflecting the close partnership between banks and insurers in Morocco.

Ramli explained that the regulatory framework for life insurance in Morocco is structured around several legislative and regulatory texts aimed at supervising the activities of insurers, protecting policyholders, and guaranteeing market stability. Life insurance in Morocco benefits from attractive tax incentives, both for savings and for the transfer of assets. The primary benefits are: 1) tax deduction for life insurance premiums (individual policyholders), 2) tax benefits for beneficiaries, 3) exemption on investment earnings, and 4) tax incentives for companies offering life insurance to employees.

Ramli discussed some of the challenges and opportunities for the future of life insurance in Morocco. One of the priorities in Morocco is financial education. As the industry expands, it is essential that individuals understand the benefits of life insurance. Without a financial understanding of life insurance, individuals may miss out on the opportunity for long-term financial security. It is important to support targeted financial literacy initiatives that can support greater development of financial inclusion.

Ramli said that the growing adoption of unit-linked policies in Morocco is offering consumers more flexibility and the opportunity for greater investment diversification. These policies combine insurance with investments allowing individuals to target their coverage and potentially their benefits to market returns. Another opportunity involves innovative products like Takaful insurance, which helps to expand coverage as it complies with Shariah Law. The availability of Takaful insurance fosters a more diverse, accessible life insurance market by covering more of the population. The rise of digital subscriptions, the development of microinsurance products, and partnerships with the InsurTech and telecom sectors can also help extend life insurance to underserved populations.

Morocco's life insurance market is evolving with strong growth supported by the rise of unit-linked policies, diverse distribution channels, and innovative products. While challenges remain, the increasing use of digital platforms, microinsurance, and focused financial education can support further developments and financial inclusion.

B. Navigating the Asian Inclusive Life Insurance Market: Challenges and Opportunities for Growth

Matthias Range (Access to Insurance Initiative—A2ii) explained that A2ii is the implementation arm of the International Association of Insurance Supervisors (IAIS) for inclusive insurance. The IAIS is the international standard setter of the insurance sector and represents insurance regulators and supervisors of more than 200 jurisdictions constituting 97% of the world's insurance premiums. A2ii is a global partnership between the development community and insurance supervisors dedicated to improving access to insurance and increasing resilience. Range said that A2ii takes an active role in engaging insurance supervisors and policymakers to foster the necessary conditions for inclusive insurance markets to thrive.

Range said inclusive insurance includes not only low-income populations but also other groups that are not fully included in access to insurance products and services. A2ii started with six regulations on microinsurance, and currently, there are 57 existing inclusive insurance regulations, and across the world, there are an additional 13 under development. A2ii members are not identical to the IAIS members, but there is overlapping membership. A2ii works on inclusive insurance but also provides capacity development and peer-to-peer exchanges. In the last seven years, A2ii worked with 176 jurisdictions, enabling them to respond with innovation to evolving needs by actively formulating supportive and proportionate regulations. A2ii aims to enhance understanding of risk and protection gaps by enhancing data infrastructure to support effective management solutions, supervisory responses, and evidence-based policymaking. A2ii will be moving from where it is currently hosted to the World Bank in a couple of months.

Asia is seen as the growth engine for the global life insurance business and has more experience in inclusive insurance than anywhere else in the world. The Asian inclusive insurance market has evolved significantly over the years reflecting the region's dynamic economic growth and increasing demand for economic protection. Initially dominated by traditional life and health insurance products, the market has expanded to include a diverse array of offerings, such as disaster risk insurance and index insurance. Since the early 2000s, microinsurance has expanded with a growth rate of 10-15% in selected markets. This has led to an impressive overall market, which is currently served by non-traditional and traditional insurance companies supported by a diverse range of stakeholders offering various innovative products. Simultaneously, regulatory frameworks were formalized to regulate this inclusive market, addressing consumer protection, financial stability, and industry reputational risk. The market has seen substantial growth in insurance premiums and claim settlements while maintaining stability despite challenges such as inflation and political instability. This robust development and sector resilience play a crucial role in safeguarding economic stability across Asia.

Range said even though the insurance sector in developing economies has demonstrated significant evolution, it still lacks general insurance penetration. In Asia, life insurance remains just below 3%. Data on the precise penetration of inclusive insurance is very difficult to obtain, but the best estimates show significant growth before 2012. In developed markets, life insurance has slowed way down, but Asia is finding more growth opportunities in emerging markets than in developed markets.

However, insurance is a product of trust, and despite outreach to new clients using technology, there is a lot of churn, which destroys growth. There have been public-private partnerships to increase the number of people who have term life insurance. These policies are designed by the government, sold by banks and post offices, and underwritten by private insurance. Similar approaches are emerging all over the world.

Range explained some of the challenges in the Asian market. Asia is aging, and inclusive insurance is not keeping up. According to the Asian Development Bank, by 2050, more than 1.2 billion people in Asia-Pacific will be over 60 years of age. Range explained that the penetration of pensions or long-term saving-linked life insurance among this population is very limited. Challenges include: 1) the limited reach of distribution channels in semi-urban and rural areas, which can be improved by digital innovations; 2) insurance awareness and financial literacy are limited but can be improved if it becomes an integral part of the sales process; and 3) product innovation in inclusive life insurance is not moving beyond credit and term life products. This can be resolved through insurer and regulator collaboration. Range said inclusive life insurance has the potential to transform financial resilience across Asia. The tools and technology exist, and the successes from the past 20 years can be leveraged to build a more inclusive insurance future through the collaboration of regulators, insurers, and technology partners.

6. Discussed its Next Steps

Director French shared that the Executive (EX) Committee, during its meeting earlier in the day, voted to end the work of the Special (EX) Committee on Race and Insurance. It directed the letter committees to consider the status of the workstream efforts and adopt charges as appropriate to continue the work. Director French announced that the Life Insurance and Annuities (A) Committee plans to meet April 30 to discuss the work of the Special (EX) Committee on Race and Insurance Life Workstream and potential next steps. More information on this will be coming.

Having no further business, the Life Insurance and Annuities (A) Committee adjourned.

