Draft date: 3/18/25

2025 Spring National Meeting
Indianapolis, Indiana

LIFE INSURANCE AND ANNUITIES (A) COMMITTEE
Tuesday, March 25, 2025
2:30 – 3:30 p.m.
JW Marriott Indianapolis—JW Grand 5–10—Level 3

ROLL CALL

Judith L. French, Chair	Ohio	Justin Zimmerman	New Jersey
Doug Ommen, Co-Vice Chair	Iowa	Adrienne A. Harris	New York
Carter Lawrence, Co-Vice Chair	Tennessee	Glen Mulready	Oklahoma
Mark Fowler	Alabama	Elizabeth Kelleher Dwyer	Rhode Island
Anita G. Fox	Michigan	Cassie Brown	Texas
Remedio C. Mafnas	N. Mariana Islands	Scott A. White	Virginia
Eric Dunning	Nebraska	Nathan Houdek	Wisconsin
Scott Kipper	Nevada		

NAIC Support Staff: Jennifer Cook/Jolie Matthews

AGENDA

1. Consider Adoption of its 2024 Fall National Meeting Minutes
   —Director Judith L. French (OH)

2. Hear Federal Update—*Taylor Walker (NAIC)*

3. Receive a Status Report on Life Insurance Priorities
   —Director Judith L. French (OH)

4. Consider Adoption of the Report of the Life Actuarial (A) Task Force
   —Rachel Hemphill (TX)

5. Hear Presentations on International Perspectives on Life Insurance
   A. Life Insurance and Annuities in Morocco
      —Siham Ramli (Supervisory Authority of Insurance and Social Welfare—ACAPS)
   B. Navigating the Asian Inclusive Life Insurance Market: Challenges and Opportunities for Growth
      —Matthias Range (Access to Insurance Initiative—A2ii)

6. Discuss its Next Steps—*Director Judith L. French (OH)*

7. Discuss Any Other Matters Brought Before the Committee
—*Director Judith L. French (OH)*

8. Adjournment

Draft: 11/27/24

Life Insurance and Annuities (A) Committee
Denver, Colorado
November 18, 2024

The Life Insurance and Annuities (A) Committee met in Denver, CO, Nov. 18, 2024. The following Committee members participated: Judith L. French, Chair (OH); Doug Ommen, Co-Vice Chair, Andrew Hartnett and Mike Yanacheak (IA); Carter Lawrence, Co-Vice Chair, represented by Toby Compton (TN); Mark Fowler (AL); Barbara D. Richardson (AZ); Karima M. Woods represented by Philip Barlow (DC); Grace Arnold (MN); Justin Zimmerman (NJ); Adrienne A. Harris represented by Mark McLeod (NY); Glen Mulready represented by Andrew Schallhorn (OK); Elizabeth Kelleher Dwyer (RI); Scott A. White represented by Craig Chupp (VA); and Nathan Houdek (WI). Also participating were: Nour Benchaaboun (MD); Fred Andersen (MN); Eric Dunning (NE); Michael Humphreys (PA); and Rachel Hemphill (TX).

1. Adopted its Oct. 21 Minutes

Director French said the Committee met Oct. 21 and took the following action: 1) adopted its Summer National Meeting minutes; 2) adopted the 2025 Generally Recognized Expense Table (GRET); and 3) adopted its 2025 proposed charges and those of the Life Actuarial (A) Task Force.

Director Richardson made a motion, seconded by Commissioner Arnold, to adopt the Committee's Oct. 21 minutes (Attachment One). The motion passed unanimously.

2. Heard a Federal Update

Taylor Walker (NAIC) gave an update on the U.S. Department of Labor's (DOL's) proposed Retirement Security Rule, also known as the fiduciary rule, and amendments to the prohibited transaction exemptions (PTEs), which exempt fiduciaries from what would otherwise be prohibited conflicts. Walker reminded the Committee that the final version of the fiduciary rule was published in the Federal Register on April 25, 2024.

Walker explained that the fiduciary rule: 1) expands the definition of an investment advice fiduciary. Fiduciary status applies to nearly all financial professionals who provide retirement guidance, including life insurers who sell annuity products; 2) the fiduciary definition eliminates the requirement that advice be given on a "regular basis"; and 3) the fiduciary rule adds additional restrictions and requirements to the PTEs.

Walker explained that most of the fiduciary rule was set to take effect on Sep. 23, 2024. But in July 2024, two federal district courts in Texas, in two separate cases, stayed the rule. This means that the industry does not have to comply with the fiduciary rule until the lawsuits are resolved. The first suit was filed by the Federation of Americans for Consumer Choice (FACC), along with several independent insurance agents. The second was brought by nine insurance trade associations, including the American Council of Life Insurers (ACLI), the National Association of Insurance and Financial Advisors (NAIFA), the Insured Retirement Institute (IRI), and the National Association for Fixed Annuities (NAFA). In both court cases, the judges noted that the fiduciary rule shares many of the same legal defects as the Obama-era 2016 fiduciary rule and exceeds the DOL's statutory authority. It is widely believed that the fiduciary rule will not go forward under the incoming Trump Administration.

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

Hemphill said the Life Actuarial (A) Task Force met Nov. 15–16. Hemphill said the Task Force discussed the Asset Adequacy Testing for Reinsurance Actuarial Guideline draft and, after its discussion, exposed considerations for

Reinsurance Asset Adequacy Testing. The discussion and exposure included: 1) initially focusing on affiliated treaties, 2) adopting a disclosure-based approach for 2025, with individual regulators retaining the ability to follow up on any concerns that may be identified based on this reporting, and 3) allowing for aggregation within a counterparty (as opposed to at a treaty level), with more granular testing where the company or regulators have documented concern that aggregation benefits may not ultimately be realized across different lines of business or product types under moderately adverse conditions.

Hemphill said the Task Force continues to make progress toward implementing a replacement generator of economic scenarios (GOES), including discussion of equity calibration and interest rate flooring options. She reported that the Task Force had a robust and productive dialogue with regulators and interested parties, with increasing common ground. She said some regulators requested that ACLI present additional interest rate flooring options, to which the ACLI agreed. The Generator of Economic Scenarios (GOES) (A) Subgroup will continue to meet over the coming months. The Subgroup is working toward meeting later this year to consider whether an alternate equity calibration or interest rate flooring option should be model office tested. Hemphill said this model office testing would then allow regulators and the industry to understand the potential impact of any change being considered for the GOES before adoption.

Hemphill said the Task Force heard a presentation on *Valuation Manual* (VM)-22, Requirements for Principle-Based Reserves for Non-Variable Annuities, and model office testing. Field test results are currently being aggregated and will be presented publicly at a future meeting, where the number of responses allows for sufficient anonymization in aggregate results. These presentations will confirm whether industry results are generally consistent with the model office results.

Chupp made a motion, seconded by Director Dwyer, to adopt the report of the Life Actuarial (A) Task Force. The motion passed unanimously.

4. <u>Adopted the Report of the Annuity Suitability (A) Working Group</u>

Yanacheak said the Annuity Suitability (A) Working Group met Nov. 17, 2024. During this meeting, the Working Group discussed the chair’s draft safe harbor guidance document and the comments received during the public comment period that ended Nov. 8. Yanacheak said the Working Group discussed its next steps. The Working Group plans to reconvene the small drafting group that developed the initial draft guidance document to review the comments received and revise the draft accordingly. He said the Working Group anticipates distributing the revised draft guidance document for public comment and holding a future meeting to discuss the comments received.

Yanacheak made a motion, seconded by Director Dwyer, to adopt the report of the Annuity Suitability (A) Working Group (Attachment Two). The motion passed unanimously.

5. <u>Heard an Update on the Life Workstream of the Special (EX) Committee on Race and Insurance</u>

Commissioner Fowler reminded the Committee that the Life Workstream of the Special (EX) Committee on Race and Insurance finalized an endorsement in support of state legislation requiring a financial literacy course as a prerequisite to high school graduation. This endorsement was adopted by the Special (EX) Committee on Race and Insurance during its meeting on Nov. 17.

Commissioner Fowler said the Life Workstream has continued to focus on “marketing, distribution, and access to life insurance products in minority communities,” including focusing on criminal history. He explained that the Life Workstream has heard several presentations exploring the impact of criminal history on a person’s ability to access life insurance. To learn more, the Life Workstream circulated a draft survey for public comment asking about insurers' use of criminal history in life insurance underwriting. Comments were requested by Sept. 5.

Based on the comments received, a revised chair draft survey was distributed and discussed during a public meeting on Oct. 17, 2024.

Commissioner Fowler said once the survey questions are finalized, the process for issuing the survey will also be finalized. The plan is to use the same process that was used to do the big data/artificial intelligence (AI) survey of life companies. Like the AI survey, states will choose to participate, with a focus on getting participation from companies that make up a significant percentage of the life insurance market. Commissioner Fowler said that he and fellow Life Workstream co-chair Commissioner Humphreys have had internal discussions with NAIC staff and the Market Regulation and Consumer Affairs (D) Committee about the process for conducting the survey and ensuring coordination with any other surveys that may be going on.

Commissioner Fowler said that the Special (EX) Committee on Race and Insurance reported during its meeting on Nov. 17 that discussions regarding transitioning the workstream work to the letter committees will begin shortly. He and Commissioner Humphreys look forward to participating in that process for the Life Workstream and plan to move forward with the survey in the meantime.

6. <u>Heard a Presentation from the ACGA Reacquainting Regulators With Charitable Gift Annuities</u>

Shane Leib (American Council on Gift Annuities—ACGA) gave a presentation to raise awareness of the ACGA and its purpose as well as reacquaint or introduce regulators to gift annuities. The ACGA is available to regulators if questions about gift annuities arise. Leib explained that the ACGA advocates for charities and nonprofits and their donors. The ACGA recommends payout rates charities can use for their annuities. The ACGA also monitors regulations and tries to interface with regulators. The ACGA conducts studies to help charities plan and analyze their gift annuity programs and provides training and education to various charities.

Leib explained that a charitable annuity is a way for a donor to make a contribution to a charity that serves two purposes: 1) to provide the donor with a lifetime income based on a payout rate and 2) to allow for money to be left over for the charity once the donor dies. The expectation is that 50% of the original amount of the gift annuity will be available to the charity after the death of the donor. One tax benefit to donors who buy a gift annuity is the ability to take a deduction for the amount that is expected to be left to the charity after the donor dies.

Leib said that charitable gift annuities are issued frequently and are the leading planned gift vehicle today. Charitable gift annuities share the same risks as traditional payout annuities, such as longevity risk, interest rate risk, investment risk, and inflation. There are safeguards in place to address these risks. New charitable annuities have minimum ages and amounts, and the ACGA has capped payout rates at the age of 90 to help with longevity risk. Charities set up segregated funds to hold the reserves that are determined based on the state requirements. Leib said charities tend to be prudent investors with long-term perspective. If the gift annuity is large enough, the charity may use reinsurance to help offset risk.

There are some unique challenges for charitable gift annuities that stem from the way they are designed to work. Some donors want to fund specific charitable efforts, like a particular department within an educational institution or a specific subsidiary of a larger institution, such as the Indiana chapter of the United Way. This restricts the ability to aggregate those individual risks across large pools of people. There is also a potentially heightened concentration risk for small pools. Some of the small charities issuing gift annuities may only have a handful on their books. Additionally, donations tend to increase when markets are doing well. Donors are prompted to make this kind of donation when they can maximize the tax advantages and make as large a contribution as possible. This inconsistent gift activity can concentrate inflation, interest rate, and market risks.

Leib explained the safeguards in place that are unique to charitable gift annuities. When a charity issues a gift annuity and promises to make payments for life, those payments are backed by reserves, but at the end of the day, all the funds a charity has on hand are available to fund those payments. The general assets of the charity serve as a backstop if the original donated funds are exhausted, which can be quite significant through endowments and other donations. Payout rates are determined with the expectation that 50% of the initial amount will go to the charity, so only 50% of the initial funds are being used to determine the payout rate. Additionally, a donor could always decide to forgo future payments if they felt they were eating into the charity's general assets.

Leib explained how the ACGA supports its members to help them avoid risky behaviors. The ACGA suggests appropriate payout rates and studies charitable gift annuity mortality experience to determine what drives the mortality and should be used in their assumptions. The ACGA performs industry studies to understand the effectiveness of the payout rates as well as verify and validate the rates that the ACGA suggests against the financial results of the charities. The ACGA brings in actuaries and outside consultants to review the methodologies on a regular basis. The ACGA also provides educational opportunities and webcasts to help charities understand the operational aspects and risk management topics.

Dave Ely (ACGA) shared some information about state regulation of gift annuities. The *Charitable Gift Annuities Model Act* (#240) was adopted in 2000 and does a good job with definitions, reserve, surplus, general asset, investment, annual report, and contract filing requirements. There is a lot of variation in filing requirements among states. Several states require initial and ongoing filings. Some states require an initial registration, and some states are completely silent. There is one state where it is a felony to issue a gift annuity without registration, so the ACGA wants to make sure all their member charities follow the appropriate laws across the country. Ely said the ACGA has drafted model registration requirements to help standardize and assist charities in following state requirements.

Ely said one of the reasons for giving this presentation is to be able to partner with state regulators going forward. Ely gave the example of partnering with the New York State Department of Financial Services (DFS) a couple of years ago when charitable gift annuities got caught up in some changes the DFS was making to the regulation of commercial annuities. The ACGA was able to work with the DFS to draft and pass legislation that retained its ability to regulate charitable gift annuities but alleviated some of the requirements that might impede a charity's ability to meet fundraising goals to support its missions.

7. <u>Heard a Presentation from the CAIF on Fraud Involving Life Insurance and Annuities</u>

Michelle Rafeld (Coalition Against Insurance Fraud—CAIF) gave a presentation on the rapidly evolving landscape of insurance fraud in the life and annuity markets. Rafeld explained that the CAIF is the nation's only alliance uniting consumers, government organizations, and insurers to combat insurance fraud.

Rafeld said there has been a dramatic change in consumer attitudes toward insurance fraud. Over 50 million Americans do not view insurance fraud as a crime. In addition, technology has profoundly transformed the world of insurance fraud.

Rafeld explained that technology has revolutionized how insurance fraud is prevented, detected, and investigated, but at the same time, it has created new avenues and opportunities for insurance fraud. The insurance industry is facing significant risks and challenges that demand immediate attention, increased resources, added partnerships, and innovative solutions. Insurance carriers and fraud fighters are finding themselves up against very sophisticated criminals, many of whom are malicious cyber hackers, affiliated with organized crime networks operating in the U.S. and abroad.

Rafeld outlined some key fraud trends that life and annuity writers are confronting. One of the most pervasive issues reported by carriers is the intentional misrepresentation of information on applications. Both consumers and agents motivated by a commission payout are misstating health conditions, financial status, lifestyle factors, and dates of birth to avoid policy denials or to secure lower premiums or higher coverage limits. Material misrepresentations lead to policy rescissions, claim denials, and substantial carrier losses, and while insurers are increasingly using data analytics and third-party verifications to combat these tactics, the problem continues to persist.

Another trend that has been around for years is advance commission schemes, and it remains one of the top concerns of life and annuity writers as agents continue to manipulate the advanced commission structure for personal gain.

Rafeld said while some agents regularly churn their business or game the "free look" period to pocket increased commissions, carriers are also seeing an increase in agents creating, submitting, and paying the initial premium for fraudulent life and annuity policies. Agents are collaborating with individuals willing to act as fake policyholders, submitting applications for nonexistent individuals, or using the personal and financial information of existing clients without their knowledge or permission, which is not only insurance fraud but identity theft, one of the most significant issues impacting both consumers and the industry today.

Rafeld said that identity theft is increasingly prevalent. Unlawfully obtained consumer data is being sold on the dark web where sophisticated criminals are taking out policies using bogus or stolen names to file fraudulent claims. Criminals are also impersonating consumers to cash out life and annuity products that have a high cash value, and the potential financial impact on a company is concerning.

Rafeld said that earlier this year, an overseas company was defrauded of nearly $25 million dollars by a fraudster who, through an email compromise scheme, went on to orchestrate a Zoom call where they then used manipulated images and voices of company personnel to authorize the cutting of checks to the con artist. While the organization victimized was not an insurance carrier, this story illustrates the tactics being used against insurers today. The technology is so sophisticated that bad actors are successfully defeating the voice, signature recognition, and antifraud security systems that insurers have in place.

Rafeld said insurers are also seeing an increase in the use of synthetic IDs in identity theft schemes. In these schemes, criminals combine real and fictitious information to create new identities, enabling fraudsters to apply for and access policies without triggering typical identity verification safeguards. These synthetic identities can go undetected, resulting in fraudulent policies that are later cashed out or surrendered, often leaving insurers with substantial financial losses.

Rafeld said that another trend is account takeovers, where criminals are using phishing, social engineering, or purchased credentials to breach accounts, allowing them to make withdrawals, change beneficiaries, or even transfer ownership. The fraudsters will often intercept or redirect communications to conceal their actions from policyholders. Older policyholders are particularly vulnerable to account takeover schemes due to the fact that they are less familiar with the cybersecurity attacks and methods being used today.

Rafeld said another scheme involves the creation and submission of fraudulent documents. In today's technology age, the possibilities for exaggerating and fabricating authentic-looking government IDs, medical records, x-rays, and counterfeit death certificates are virtually endless as policyholders, third parties, and criminals can easily use online platforms and AI to buy or create fraudulent documents. Along these same lines are criminals who forge policy changes or policy surrenders to the detriment of insurers and policyholders. It is imperative that life and annuity carriers implement tighter controls and added monitoring and verification protocols.

Rafeld said synthetic identities and stolen consumer information are also fueling new Stranger-Originated Life Insurance (STOLI) schemes. Using stolen consumer data, fraudsters are arranging for imposters to apply for coverage and pose as the insured when, in reality, the “victims” are typically unhealthy and would never qualify for insurance. These schemes typically involve policies ranging from $25,000 to $500,000, with fraudsters sometimes "stacking" policies across multiple carriers to rake in millions. Another troubling trend involves health care workers stealing the identities of their patients. Disturbingly, several human trafficking cases have involved traffickers taking out insurance on trafficked individuals.

Rafeld said that fraudsters are also targeting life and annuity insurers to launder money. While banks and other financial institutions are typically bound by "know your customer" regulations, criminals have recognized the insurance industry has fewer regulatory requirements for vetting customers and their sources of funds, making life and annuity products the perfect tool to wash illegal funds. In addition to establishing whole-life policies where withdrawals, loans, or surrenders are then later made, money launderers are also depositing funds into annuities and converting the dirty money into clean dollars through income distributions. According to the United Nations, $800 billion dollars a year is illegally laundered on an annual basis, with drug cartels being a major source of the cash being used. Both the industry and state regulators may wish to consider the benefits of adding “know your customer” risk mitigation strategies.

Rafeld explained that in the U.S., the annual cost of insurance fraud has reached a staggering level of $308.6 billion dollars. Of that figure, close to $75 billion each year is lost to life insurance fraud. Some risk mitigation strategies insurers currently use include: 1) adopting advanced technologies; 2) leveraging data analytics to enhance the monitoring of agents and activities; 3) implementing new commission structures; and 4) collaborating with state fraud bureaus and law enforcement in an attempt to hold identified fraudsters accountable.

Insurance fraud can have a detrimental financial impact on a carrier that could affect both its profitability and stability. Rafeld suggested that regulators look to utilize the financial examination process to ensure companies have robust antifraud risk mitigation systems in place. Reviewing antifraud plans offers valuable insights into an insurer’s preparedness. Robust, regularly updated plans are a strong indicator of an organization’s commitment to fraud mitigation. By conducting interviews and analyzing key antifraud data, regulators can help carriers identify potential opportunities where their antifraud efforts can be strengthened. Such a process can also help foster education and collaboration between regulators and insurers, which would only strengthen the industry as a whole.

Rafeld said that the CAIF stands ready to unite and empower private and public groups to fight insurance fraud through outreach, advocacy, and research. The coalition is comprised of over 310 member organizations, including a majority of the state departments of insurance, and has committees and task forces. Like NAIC committees and working groups, these groups meet virtually, as well as in person, to discuss and educate one another about key issues in the insurance fraud world. Rafeld said additional information about membership and their activities can be found on the CAIF website.

Hartnett asked Rafeld whether the CAIF has been seeing romance scams used to initiate account takeovers. A primary complaint on the security side in Iowa has involved situations where somebody has convinced the customer to make a request. Rafeld said that situation has not come up. What they are seeing is criminals who obtain the data illegally and sell it on the dark web to people who use it to circumvent security protocols and take over accounts.

8. <u>Discussed “Report and Hold” Laws</u>

Commissioner Ommen said he wanted to raise a financial exploitation issue that has come up on the security side that this Committee may want to consider in the context of life insurance and annuities. He said that approximately 10 insurance departments also regulate securities. He met with Maureen Adolf (Eversheds Sutherland), who, along with the law firm of Davis & Harman, represents the Committee of Annuity Insurers (CAI). Commissioner Ommen spoke to Adolf regarding some of the protections on the securities side that are in place to guard against the financial exploitation of older Americans.

Hartnett explained that around 40 states have implemented securities laws that are commonly referred to as “report and hold” laws. The idea is that if there is a reasonable suspicion that a requested transaction will result in financial exploitation, the transaction can be suspended without legal repercussions as long as certain steps have been taken, including notifying the client and the state securities regulator.

Adolf explained that the CAI was formed to address federal legislative and regulatory issues relevant to the annuity industry and to participate in the development of federal tax and securities policies regarding annuities. The committee is a coalition of 32 of the largest issuers of annuity contracts and represents approximately 80% of the annuity business in the United States. The CAI has a senior investors working group that has been focused on senior investor protection issues. The working group has been pleased with the efforts of securities regulators to protect the elderly and vulnerable from financial exploitation. These protections include Financial Industry Regulatory Authority (FINRA) rule 4512, which allows the naming of a trusted contact for an account suspected of exploitation, and rule 2165, which allows firms to pause disbursement to customers if they have a reasonable belief that financial exploitation is taking place.

North American Securities Administration (NASAA) also passed a rule similar to FINRA and the laws that Hartnett mentioned. However, there is nothing similar for insurance products with cash value, like whole life or annuities. Adolf suggested that the Life Insurance and Annuities (A) Committee might want to consider looking into the viability of a similar regime that allows for a pause on a customer’s request to withdraw funds when there is a reasonable belief that financial exploitation is taking place to allow time to investigate the matter or refer the matter to authorities. Commissioner Ommen said this was just an introduction to the topic and hopes that the Committee can have discussions in the future.

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

SharePoint/NAIC Support Staff Hub/Committees/A Committee/2024 Summer National Meeting/A_Cmte_FNMeetingminfinal.docx

2025 Spring National Meeting
Indianapolis, Indiana

LIFE ACTUARIAL (A) TASK FORCE
Saturday, March 22, 2025
8:00 a.m. – 4:30 p.m.

Sunday, March 23, 2025
8:00 – 10:00 a.m.

Meeting Summary Report

The Life Actuarial (A) Task Force met March 22–23, 2025. During this meeting, the Task Force:

1. Adopted its March 6, Feb. 20, Feb. 6, Jan. 30, Jan. 23, Jan. 16, and Dec. 12 minutes. During these meetings, the Task Force took the following action:
   A. Exposed amendment proposal form (APF) 2025-03, which modifies the *Valuation Manual* (VM)-20, Requirements for Principle-Based Reserves for Life Products, universal life with secondary guarantee (ULSG) lapse assumption for policies with minimal cash surrender value (CSV) so that the required industry table is a guardrail rather than a prescribed assumption.
   B. Exposed APF 2025-05, which modifies the guidance notes under VM-20, Section 9.G.8, and VM-21, Requirements for Principle-Based Reserves for Variable Annuities, Section 4.A.5, to provide clearer definitions and examples of what constitutes "contractually guaranteed" revenue sharing income.
   C. Exposed APF 2024-16, which provides additional nonforfeiture guidance for universal life products where the cash value is based on multiple sets of guarantees.
   D. Exposed APF 2025-01, which would ensure that the net premium reserve (NPR) mortality assumption for higher anticipated mortality policies would be the anticipated experience plus a margin when the company mortality is higher than the prescribed mortality rates.
   E. Exposed APF 2025-02, which clarifies the rounding rules associated with the calculation of rates from the *Standard Valuation Law* (Model #820) and *Standard Nonforfeiture Law for Life Insurance* (Model #808).
   F. Exposed revisions to the Asset Adequacy Testing for Reinsurance Actuarial Guideline (AG ReAAT) draft.
   G. Exposed Appointed Actuary and Illustration Actuary Knowledge Statements.
   H. Adopted APF 2024-13, which clarifies the reflection of negative interest maintenance reserves (IMRs).
   I. Adopted APF 2024-15, which corrects the application of mortality in the VM-21 standard projection amount (SPA) where there is little or no company experience.
   J. Adopted its 2024 Fall National Meeting minutes.

2. Adopted the report of the Longevity Risk (E/A) Subgroup, which will resume meeting once the VM-22, Requirements for Principle-Based Reserves for Non-Variable Annuities, methodology is finalized to develop and recommend longevity risk factors.

3. Adopted the report of the Variable Annuities Capital and Reserve (E/A) Subgroup, which met Feb. 20. During this meeting, the Subgroup took the following action:
   A. Exposed revised draft additions to the variable annuities supplement in the annual statement.

4. Adopted the report of the Experience Reporting (A) Subgroup, which met Dec. 16, 2024. During this meeting, the Subgroup took the following action:
   A. Formed a drafting group to work on APF 2024-12, which would require mandatory reporting of group annuity/pension risk transfer business.

5. Adopted the report of the VM-22 (A) Subgroup, which met March 12, 2025; March 5, 2025; Feb. 26, 2025; Feb. 19, 2025; Feb. 12, 2025; Feb. 5, 2025; Dec. 11, 2024; and Dec. 4, 2024. During these meetings, the Subgroup took the following action:
   A. Adopted the SPA as a disclosure requirement under VM-22.
   B. Adopted a 1% mortality improvement sensitivity for the SERT.
   C. Adopted the Texas Department of Insurance (TDI) VM-22 reinvestment guardrail proposal of 5% Treasuries, 15% AA, and 80% A.
   D. Adopted a 6% threshold for the Stochastic Exclusion Ratio Test (SERT) under VM-22.
   E. Discussed VM-22 field test results.
   F. Exposed a request for other revisions to the VM-22 principle-based reserving (PBR) framework for a 40-day public comment period ending March 17.
   G. Exposed edits to policyholder behavior assumption in the VM-22 SPA draft for a 28-day public comment period ending March 26.
   H. Adopted a longevity reinsurance transaction (LRT) flooring methodology of 2% of annual longevity benefits floor at the scenario reserve level proposed by New Jersey and the American Council of Life Insurers' (ACLI's) allocation methodology proposal, with a change to the proposal to make it so there is a floor within the allocation methodology at 2% of annual longevity benefits.

6. Heard a presentation on the VM-22 field test participant results.

7. Heard a presentation on VM-20 historical mortality improvement (HMI) and future mortality improvement (FMI) factors.

8. Adopted the report of the Generator of Economic Scenarios (GOES) (E/A) Subgroup, which met Feb. 26, 2025; Feb. 12, 2025; Jan. 29, 2025; Dec. 19, 2024; and Dec. 11, 2024. During these meetings, the Subgroup took the following action:
   A. Referred two documents to the Variable Annuities Capital and Reserve (E/A) Subgroup and the Life Risk-Based Capital (E) Working Group to effectuate the GOES for capital calculations.
   B. Exposed APF 2025-04, which would update the VM economic scenario generator (ESG) references for the adoption of the Conning-maintained prescribed ESG.
   C. Formed a GOES Model Governance Drafting Group to develop a model governance framework.
   D. Discussed revisions to the GOES and related model office testing.

9. Discussed comments on APF 2025-04, received a presentation on APF 2025-04 key decisions, and received a presentation on the ACLI's recommended GOES deterministic reserve (DR) methodology.

10. Adopted the report of the Life and Annuity Illustration (A) Subgroup and discussed revisions to *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).

11. Adopted APF 2025-01.

12. Requested that Rhonda Ahrens (Thrivent) revise APF 2025-02 to allow for the rounding to be dependent on the trend in interest rate levels.

13. Adopted APF 2025-03.

14. Re-exposed APF 2025-05 for a 21-day public comment period ending April 13.

15. Received an update on *Actuarial Guideline LIII—Application of the Valuation Manual for Testing the Adequacy of Life Insurer Reserves* (AG 53) reports.

16. Discussed comments received on the AG ReAAT draft and exposed a revised AG ReAAT for a 32-day public comment period ending April 24.

17. Heard an update from the Society of Actuaries (SOA) on research initiatives and changes to its education program.

18. Heard an update from the American Academy of Actuaries (Academy) Council on Professionalism and Education.

19. Heard an update from the Academy Life Practice Council.

20. Considered comments received on Academy life knowledge statements.

21. Discussed potential revisions to VM-20 and VM-21 principle-based reserve reinvestment guardrails and requested that both: 1) NAIC Staff perform model office testing; and 2) the ACLI request that members perform impact analysis to be shared with regulators to understand the impacts of the potential revisions.

22. Requested Academy input on guaranteed yearly-renewable term (YRT) reinsurance.

23. Reported that the Task Force met March 13 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities, or individuals), of the NAIC Policy Statement on Open Meetings.

access to insurance initiative

NAIC - Spring National Meeting 2025, Indianapolis, IN

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

Matthias Range I March 2025

access to insurance initiative

Who are we?

- The Access to Insurance Initiative (A2ii) is a unique, high-impact global partnership between the development community and insurance supervisors.
- We are dedicated to improving access to insurance and increasing resilience.
- At A2ii, we take an active role in engaging insurance supervisors and policymakers. Our aim is to foster the necessary conditions for inclusive insurance markets to not just exist, but to thrive.
- The A2ii is the implementation arm of the International Association of Insurance Supervisors (IAIS), which 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.

2 The broadening of focus on the excluded and disadvantaged

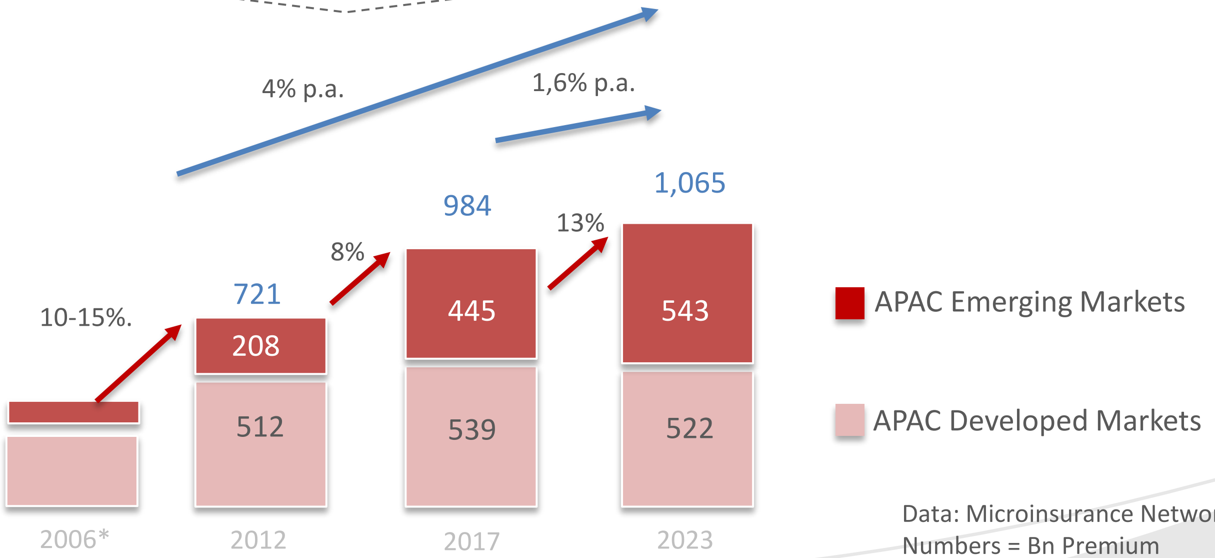
<u>Microinsurance</u> is insurance that is accessed by the low-income population (IAIS 2007)

- We do not <u>only</u> talk about low-income people anymore, but everyone who is excluded
- Resilience and the need to cover residual is sector-agnostic and effects the overall society
- At least in emerging markets and developing countries the insurance sector still provides more gaps than solution
- The IAIS accepts that challenges and opportunities are beyond comparison
- The IAIS offers a broad definition that allows every country to create their own definition that reflects their own individual circumstances

<u>Inclusive Insurance</u> is “intended to be accessed by low-income populations, as well as other groups that are not fully included in access to insurance products and services” (IAIS 2024).

General Life Insurance in Asia Pacific

Asia is seen as the growth engine for the global life insurance business; however, the pace of growth is slowing down, the growth in emerging markets remains.



Data: Microinsurance Network, GIZ, McKinsey
Numbers = Bn Premium
* Industry understanding

The three phases of insurance market development in APAC

Understand the market

Proof of Concept

2000 - 2010

Challenges:

- Uncertain on
  - market potential and
  - business case
- Reputation concerns ("exploiting the poor")
- No technical expertise
- Thin margins

Partnership Models
MFIs, Rural Banks, NGOs

Stars: Allianz, MicroEnsure, Pioneer, and a NGOs in India and Bangladesh

Professionalisation

2010 - 2016

Challenges:

- Business Case / Lack of Data
- Headquarters Level Issues
- Operational Issues
- Product Innovation
- Missing Competition
- Trust

Partnership Models
MNO, Agent Networks,

Star:
MicroEnsure, BIMA; Allianz, AXA

Convince the market

Market Development

2016 - 2023

Challenges:

- Data Issues
- Financial Literacy
- Missing Competition
- Operational Issues

Partnership Models:
Diverse

Stars:
Re-insurers, Regulators, Public Private Partnerships

5

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
- Penetration of pensions or long-term savings linked life insurance amongst this population is very limited as:

Reach of distribution channels in semi-urban and rural areas still limited

Insurance awareness and financial literacy still limited

Product innovation in inclusive life insurance isn’t moving beyond credit and term life products

6 The way Forward

access to insurance initiative

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ROYAUME DU MAROC

acaps

Autorité de Contrôle des Assurances et de la Prévoyance Sociale

Moroccan life insurance and annuities sector

March 2025

1. Presentation of ACAPS
2. Presentation of the Moroccan life insurance sector
3. Life insurance regulatory framework
4. Future challenges and perspectives

1. Presentation of the Supervisory Authority of Insurance and Social Welfare (ACAPS)

➢ **Over the past ten 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.**

Status

Established in 2016 **the Supervisory Authority of Insurance and Social Welfare (ACAPS)** is an independent body entrusted with the missions of regulation and supervision of the insurance and social welfare sectors.

Missions

- Prudential supervision
- Market conduct supervision
- Financial stability and macro-prudential supervision
- Policyholder protection

Governance and organization

- The Chairman
- The Board
- The Advisory Bodies
- The directorates

1. Presentation of ACAPS
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2. Presentation of the Moroccan life insurance sector

25 insurance companies

11 composite insurers

2 life insurers

3 non life insurers

5 assistance Travel/ emergency) insurers

3 credit insurance

1 reinsurer

7 foreign-owned companies

30%

Share of global market

Distribution Channel (all Lob)

brokers	Bank insurance	Agents	Insurers Direct offices
473	***15** Banks* ***3** financing companies* ***1** micro-loan association* ***7** money transfer companies*	***1 494***	***959***
31%	31%	22%	16%

Total premiums **56,7 bn MAD**

2. Presentation of the Moroccan life insurance sector

2024 : key figures (in billion MAD)

Turnover

Life	27,2 bn MAD
Non life	30,9 bn MAD
Total	56,7 bn MAD

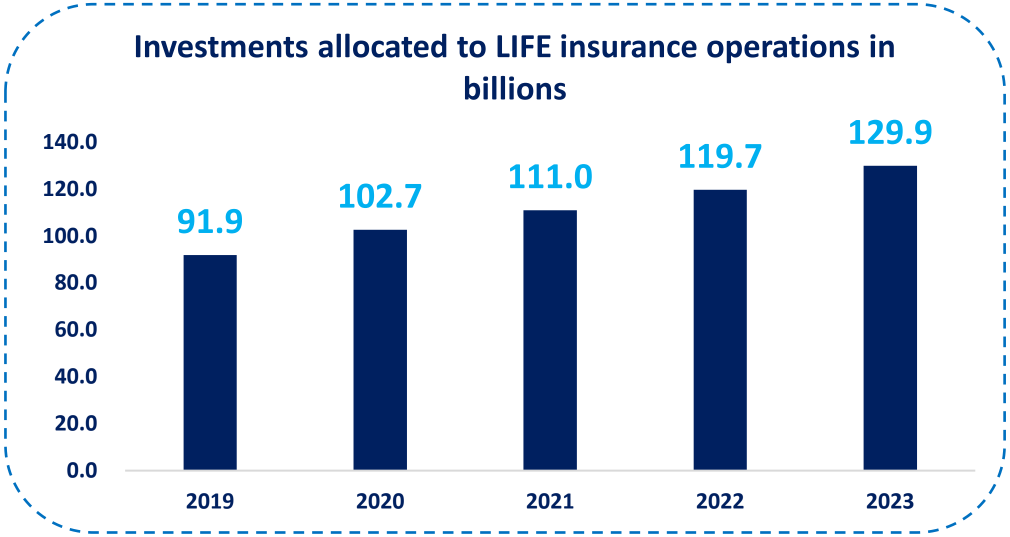
Ranking (premiums)

Global	48
MENA region	3
African	2

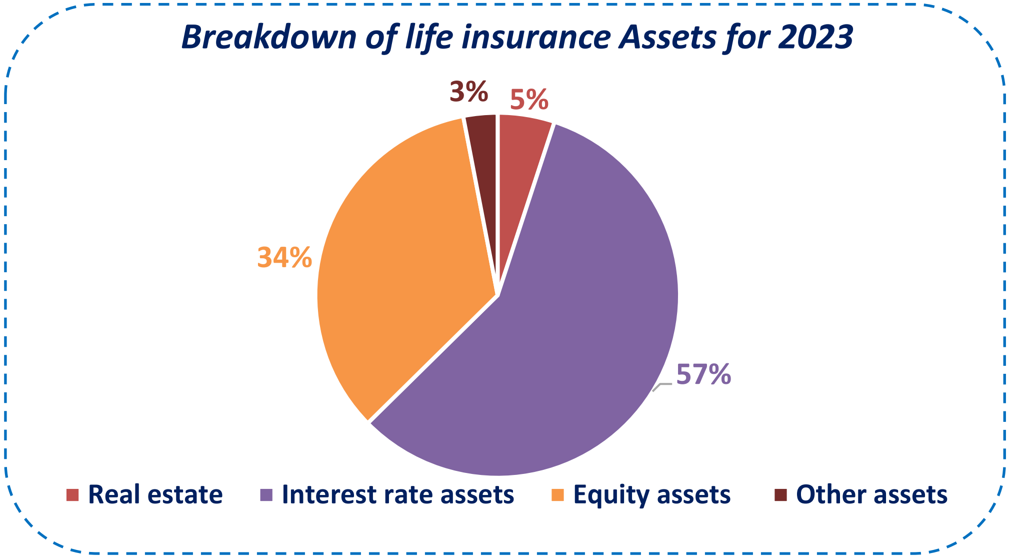
Life

Savings in dirhams	Unit-linked savings	Death insurance
22,1 bn MAD +3,7%	1.65 billion + 31.1%	3.46 billion + 3.7%..”

- **Life insurance Assets :**

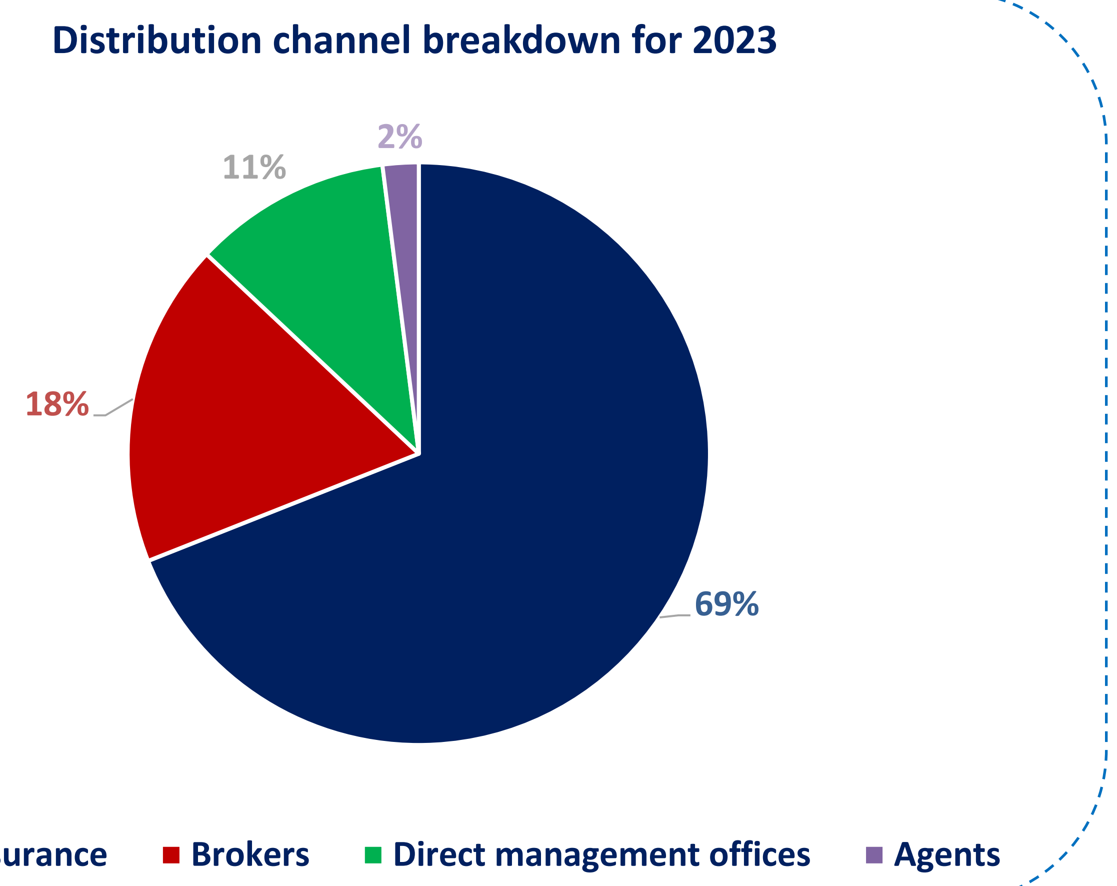


- **Breakdown of life insurance Assets for 2023 :**



Distribution of life insurance in Morocco

- **The distribution of life insurance products in Morocco is strongly driven by bank insurers, followed by brokers, direct management offices and finally a small part distributed by agents.**



1. Presentation of ACAPS
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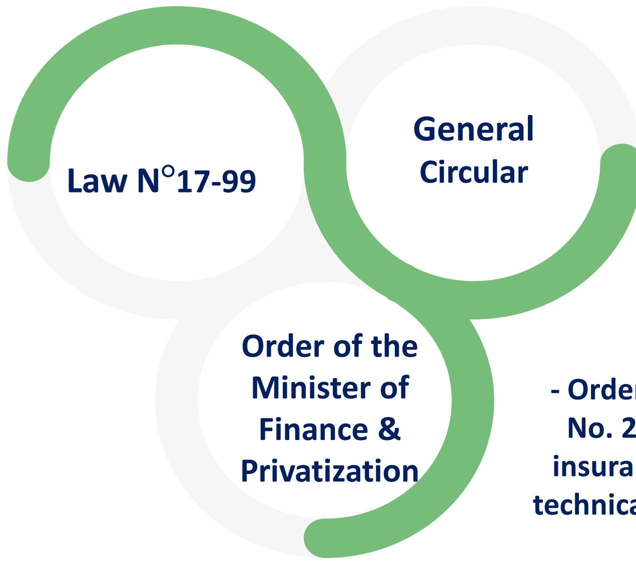
3. **Life insurance regulatory framework**
4. Future challenges and perspectives

3. Overview of the life insurance business and regulatory framework

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 :



- Law No. 17-99 on the Insurance Code constituting the legal basis of the insurance sector: Book One (chapter on life and capitalization insurance).

- Circular No. 01/AS/19 of January 2, 2019 which is taken for the application of certain provisions of Law No. 17-99 on the Insurance Code.

- Order of the Minister of Finance and Privatization No. 2240-04 (December 27, 2004) relating to the insurance contract, providing, among other things, technical details on the management of life insurance contracts.

The life insurance framework also include:

- The decree n° 2-18-1009 taken for the application of the law n°17-99
- The law n°31-08 relating to the protection of the consumer
- The Dahir forming code and obligations
- The code of the civil procedures.

Life insurance in Morocco benefits from attractive tax incentives, both for savings and for the transfer of assets. Here are the main benefits:

- Tax Deduction for Life Insurance Premiums (Individual Policyholders)
- Exemption on Investment Earnings
- Tax Benefits for Beneficiaries
- Tax Incentives for Corporate Life Insurance

1. **Presentation of ACAPS**
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Growing adoption of unit-linked policies

Importance of financial education

Innovation & inclusion

Takaful insurance

Increased accessibility of life insurance products