



NFCA Actuaries Section Meeting

(June 4, 2009)

NAIC Initiatives Update

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Initiatives on NAIC's agenda



- **Market Disruption Groups**
- **RBC C3-Phase 3 & Other Principles Based items**
- **Governance**
- **Annuity Sales Suitability and Disclosures**
- **Medicare Supplement changes**
- **Speed to Market & IIPRC**

Market Disruption (Capital & Surplus Relief proposals)

- **XXX related proposals**
 - Retroactive application of 2001 CSO Preferred Mortality tables
 - ✦ Ceded Deferred Premium Asset issue
 - Allow “interim solution” (lapse in AG38) to 7/1/2005 through 12/31/06 issues
 - Removal of limitations on X-factors
 - Actuarial Guideline 1c
 - ✦ Interpretation on mortality table to determine segment lengths when using 2001 CSO Preferred Mortality tables

Market Disruption (Capital & Surplus Relief proposals)

- **Actuarial Guideline XXXIX**
 - Reserves For Variable Annuities With Guaranteed Living Benefits
- **RBC C-3 Phase II**
- **Reinsurance Collateral Requirements**
- **Mortgage Experience Adjustment Factor**

RBC C-3 Update



Phase I – Fixed Annuities and SPL

Phase II – Variable Annuities

Phase III – Life products (including SPL)

Phase IV – Unified I & III

RBC C-3 Phase III



- Similar to Phase II in that stochastic testing is required instead of 12/50 scenarios
- AAA Scenario Generator
- Stochastic Exclusion Test and Alternative Amount options
- Proposed Effective date is:

12/31/09

RBC C-3 Phase III (cont.)



- **Effective date to be discussed at June Meeting**
- **Possible changes to**
 - SET “pass mark”;
 - Minimum C-3 factor;
 - Level of aggregation;
 - Date of testing allowed;
- **AAA is preparing an exposure draft of Practice Note to assist in implementation**

Other Principles Based items



- **SVL**
- **Valuation Manual**
 - VM-00: Scope
 - VM-20: Life Reserves
 - VM-30: AOMR
 - VM-31: AOMR Reporting Requirements
 - VM50/51: Experience Reporting Requirements

Governance



- **Model Audit Rule**
- **Governance of PBR**
- **Risk Focused Examinations**

Annuity Sales Suitability and Disclosures/ Illustrations

- Model Regulation on the Use of Senior Specific Certifications and Professional Designations in the Sale of Life Insurance and Annuities (# 278);
- Model Annuity Suitability Regulation
- Equity Index data call /SEC Rule 151A
- Guaranty Fund disclosure statement
- Illustration Guidelines & Templates under development

Medicare Supplement – 2010



- Medicare Improvements for Patients and Providers Act of 2008 = “MIPPA”
- Direct Impact on Medicare Supplement
 - New Plans
- Indirect Impact on Medicare Supplement
 - Medicare Advantage Environment
- Beyond 2010?
 - Potential changes to refund filing requirements
 - Changes to Medicare Program Itself

Medicare Supplement – 2010



New Medicare Supplement Plans for 2010

- Replacement Offer Requirements
- Rating Implications
- Innovative Benefits
- Genetic Information Nondiscrimination Act of 2008 (“GINA”)
- New Refund Formula

Speed to Market: IIPRC



- **Recently adopted standards:**
 - Equity Indexed UL
 - ROP Term
 - Bonus Benefits on Variable Annuities
 - Market Value Annuities & MGA's
- **Standards up for adoption:**
 - Amendment to Immediate Annuities
- **Reduced fees for regional carriers**
 - (5 or less states)



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