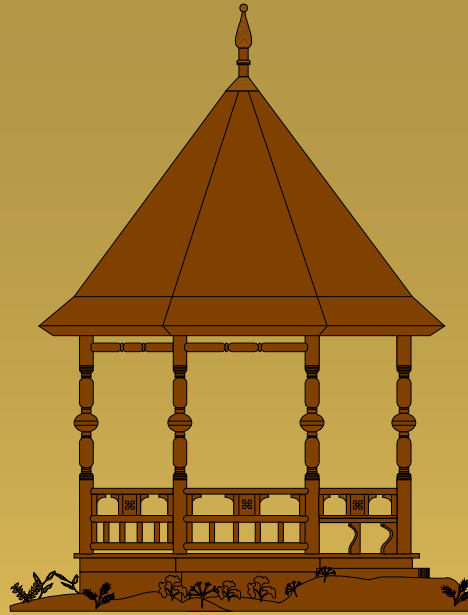


National Alliance of Life Companies

Critical Issues Forum

Saturday, October 10, 1998

San Francisco, California



James N. Van Elsen

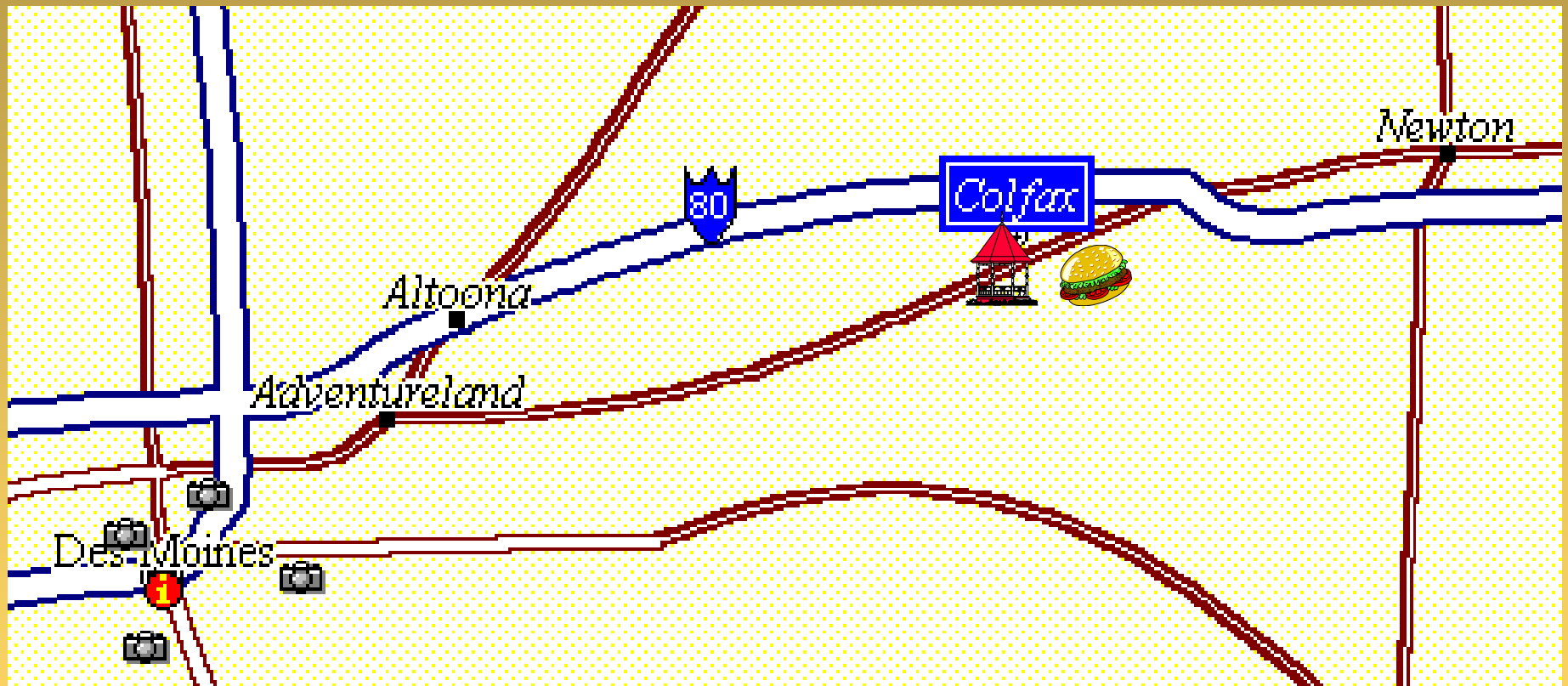
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Colfax, Iowa

Back by Popular Demand!!!

Where is Colfax, Iowa?

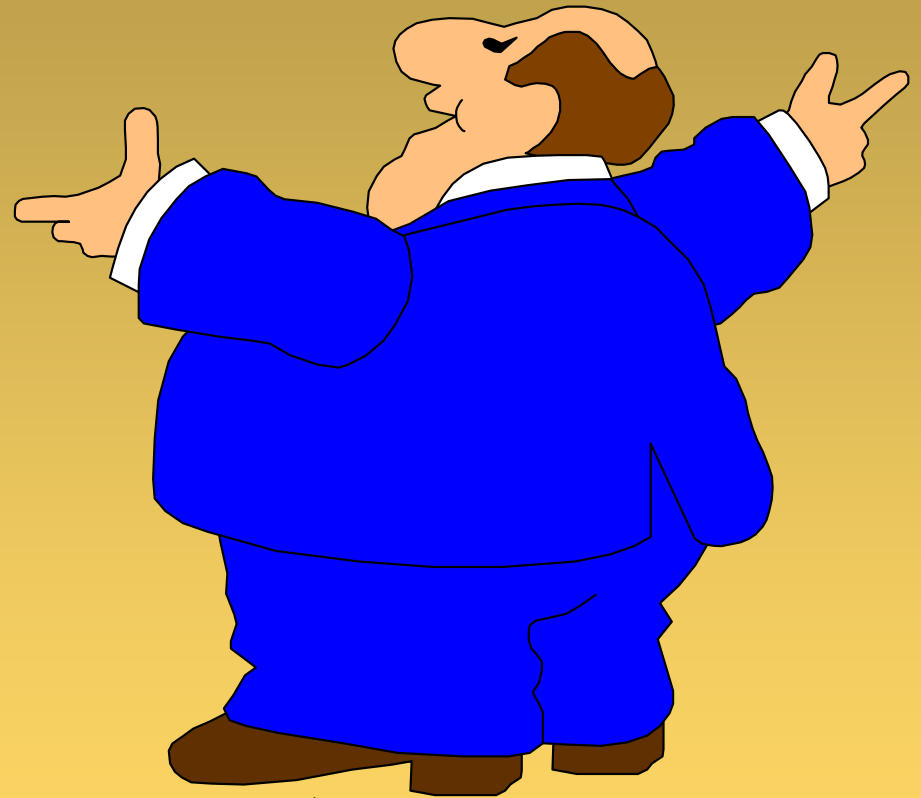


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Presentation Outline

- ☞ L&HATF
- ☞ “XXX” Update
- ☞ “AOMR” Update
- ☞ Upcoming Issues

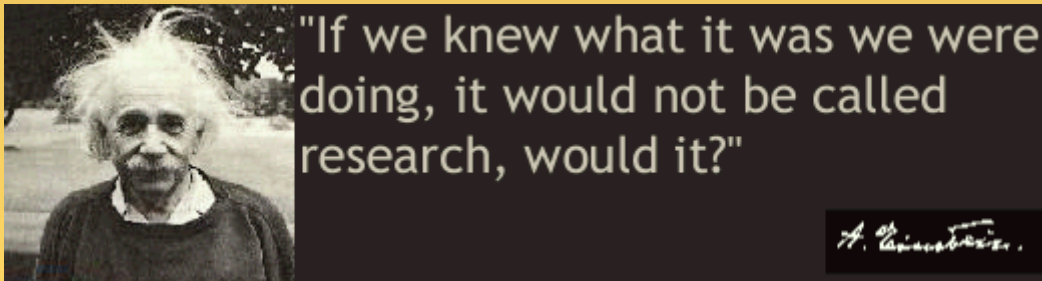


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L&HATF

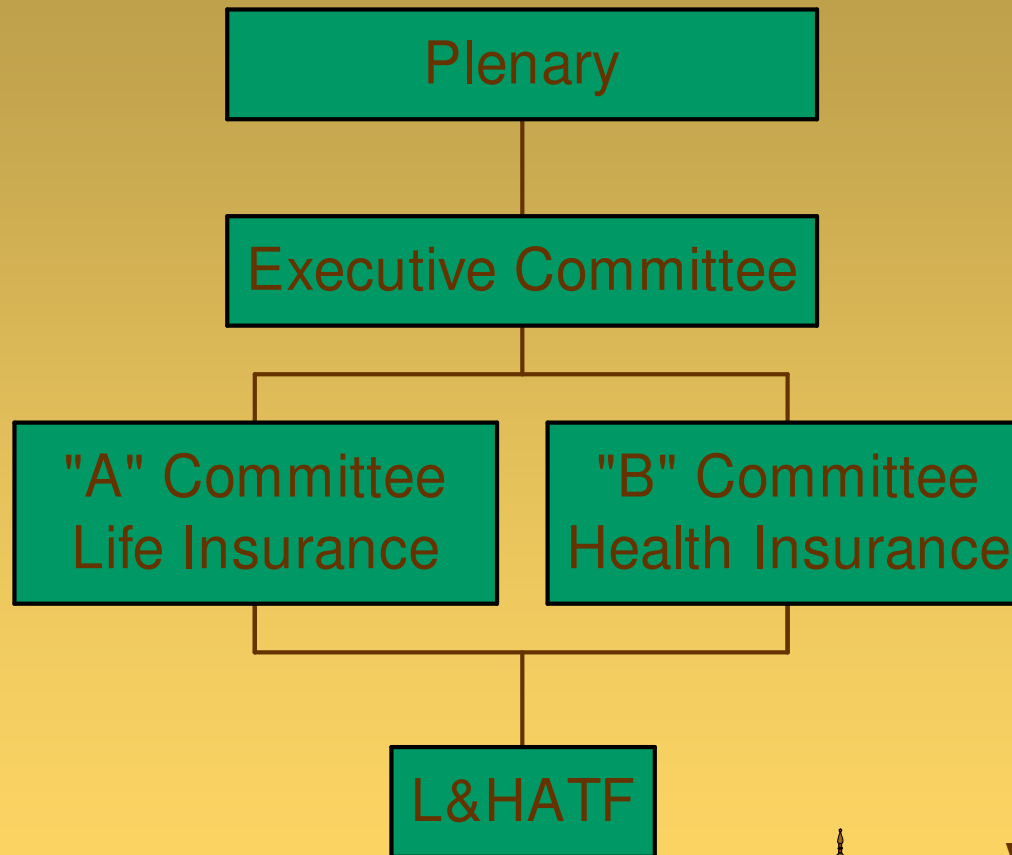
- ☞ Life & Health Actuarial (Technical) Task Force
- ☞ Where Most Reserve & Product Regulations Originate
- ☞ Meet for 2 Days Before Each NAIC Meeting
- ☞ Many Other Conference Calls



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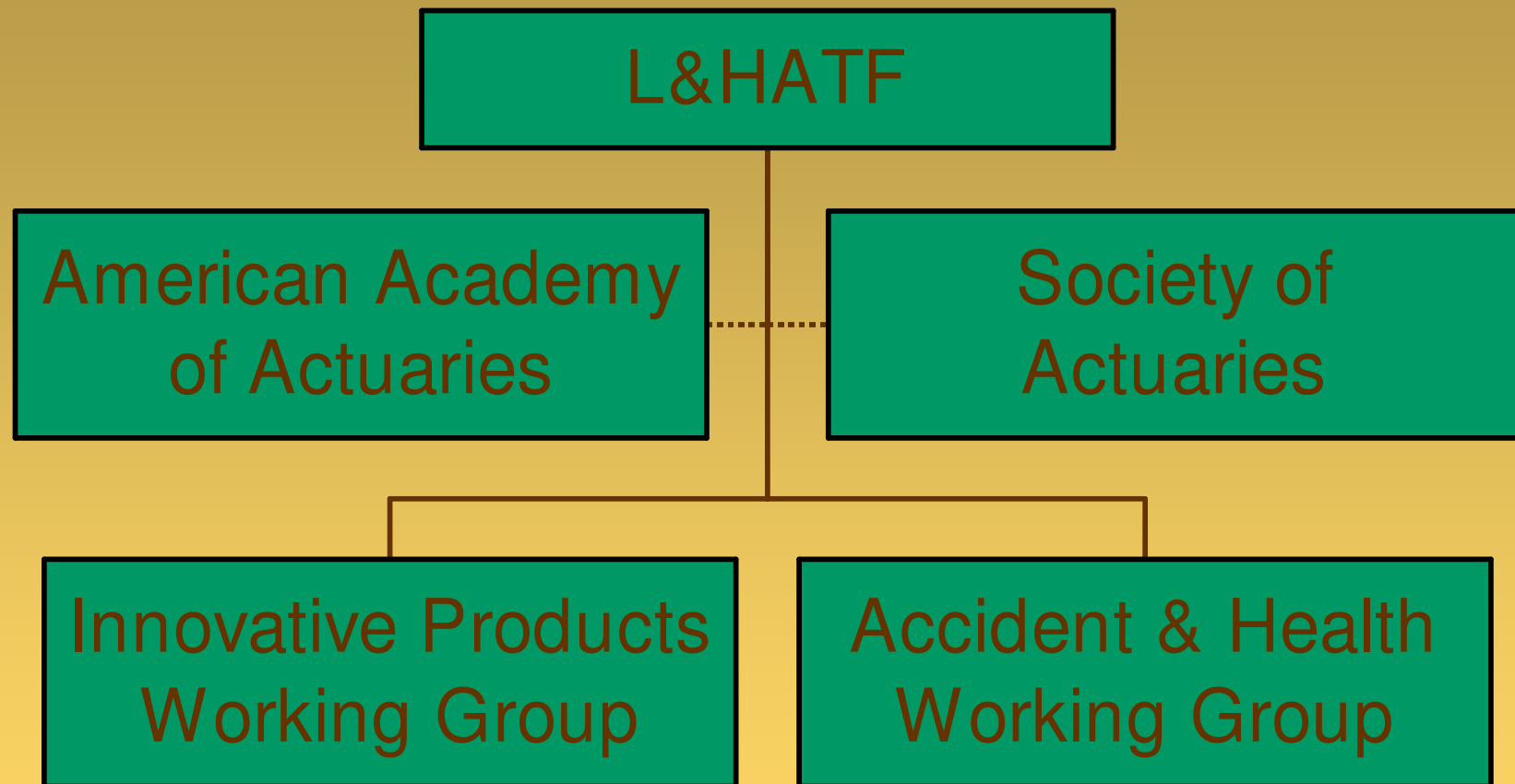
NAIC Structure Over L&HATF



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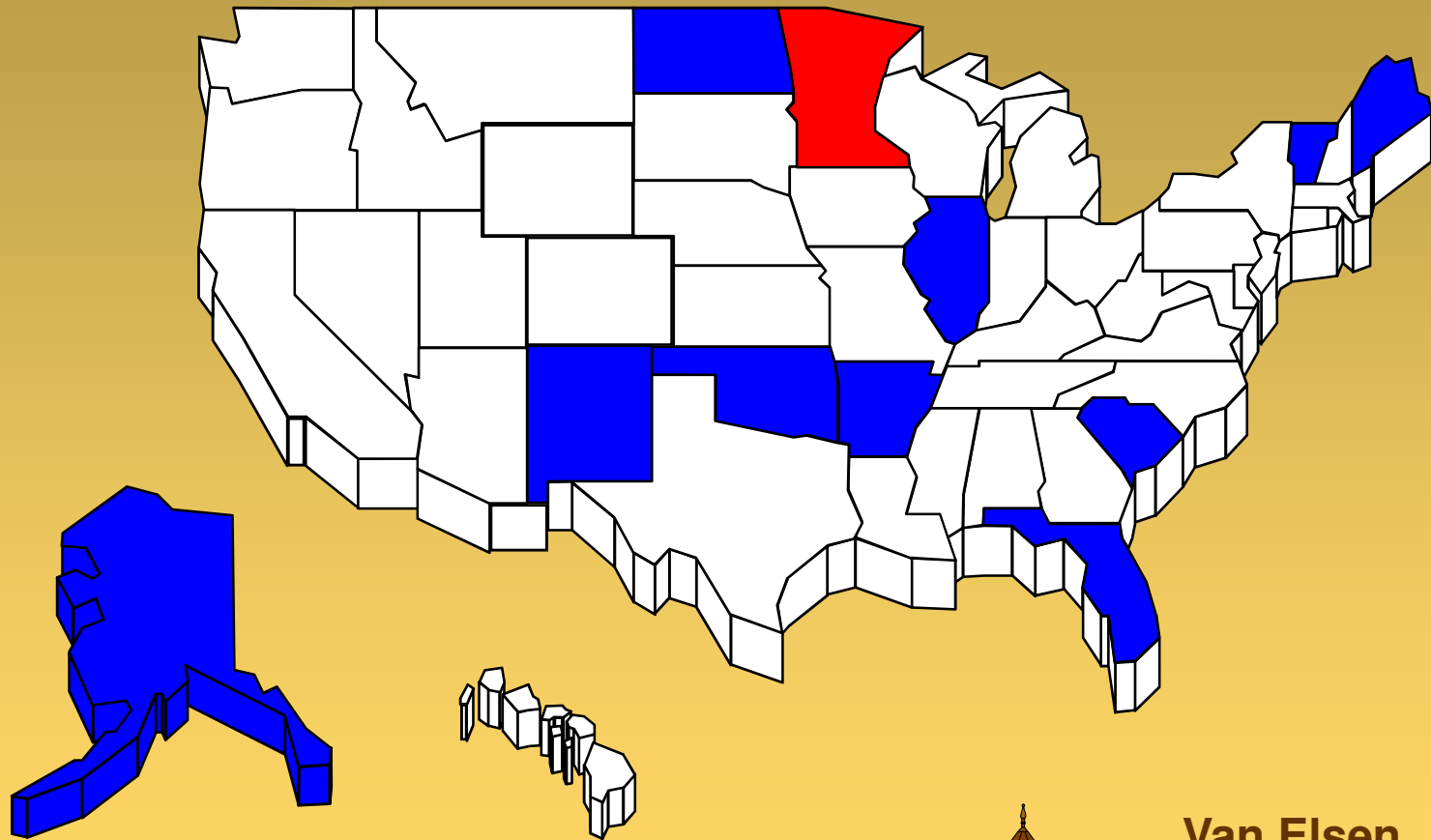
L&HATF Structure



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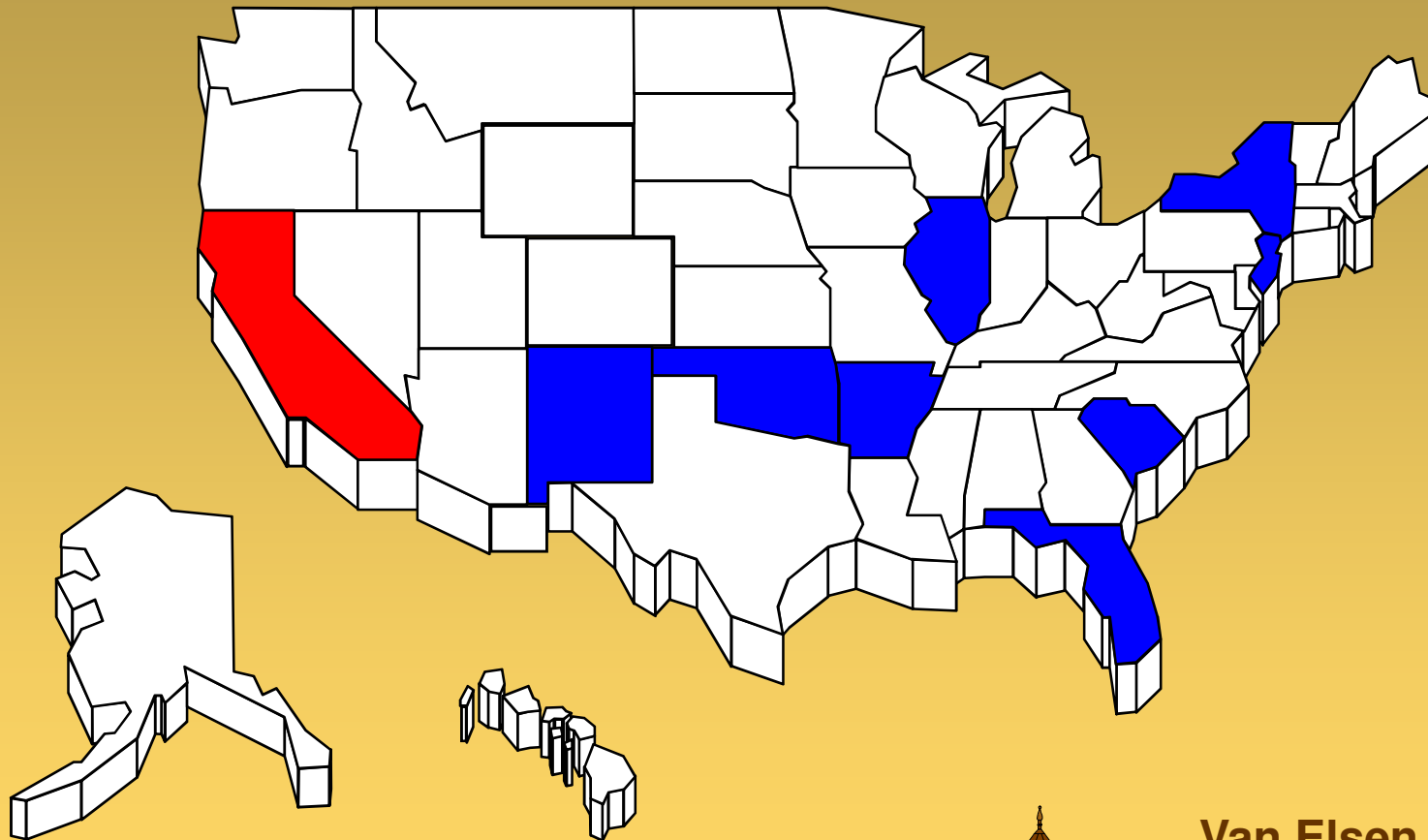
Accident & Health



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Innovative Products

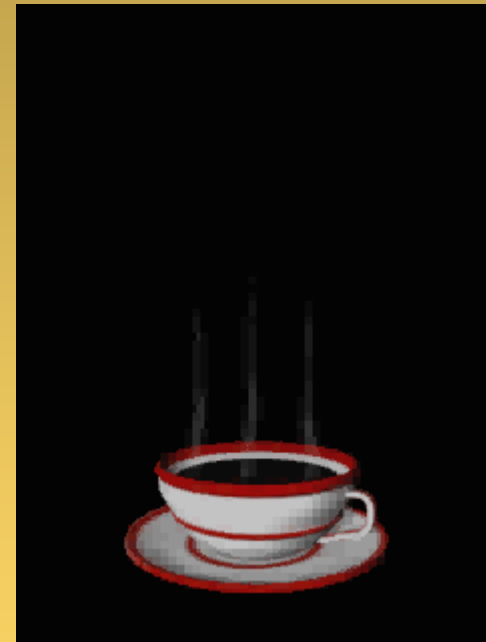


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“XXX” Update

- What is “XXX”?
- Current Status
- Small Company Aspects



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What is “XXX”?

- Valuation Regulation
- Affects All Individual Life Insurance
- Eliminates “Unitary” Methodology
- Affects Primarily Longer Guarantee Products



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Current Status

- Discussion Draft Exposed - 9/12/98
- L&HATF Approval - 12/98
- “A” Committee Approval - 12/98
- Executive Approval - 3/99
- Plenary Approval - 3/99
- State Approvals - 1999
- Effective Date - 1/1/2000



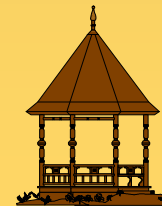
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Latest Draft



www.naic.org



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Small Company Aspects

- ☞ Deficiency Reserve Methodology
- ☞ Exemption for YRT Reinsurance
- ☞ Universal Life Secondary Guarantees
- ☞ Wisconsin Update
- ☞ West Virginia Update

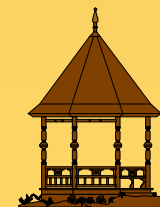


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Deficiency Reserve Methodology

- Will be Permitted to Adjust Valuation Mortality for Deficiencies by “X”
- If “X” < 100%
 - Section 8 Opinion (Asset Adequacy Analysis)
 - Mortality Opinion

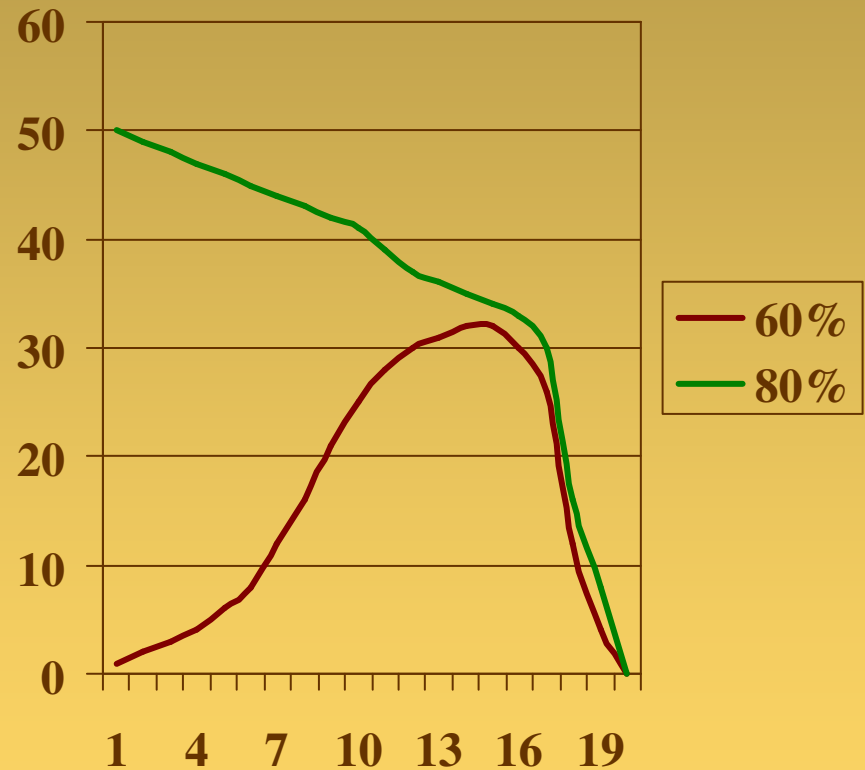


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Small Company Concerns

- ☞ Cost of Section 8 Opinion
- ☞ Ability to Justify “X”
- ☞ Complications of Valuation Methodology
- ☞ Impact of Change in “X”



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Exemption for YRT Reinsurance

- Allows “True” YRT Reinsurance to Escape the Complications of “XXX” Reserving
- If Assuming Company Elects => Ceding Company Credit Limited to Amount of Assuming Company

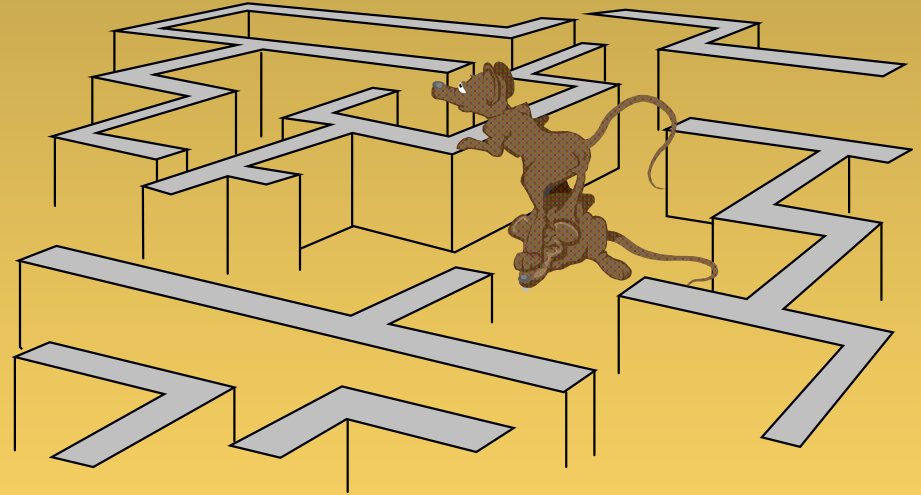


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Universal Life Secondary Guarantees

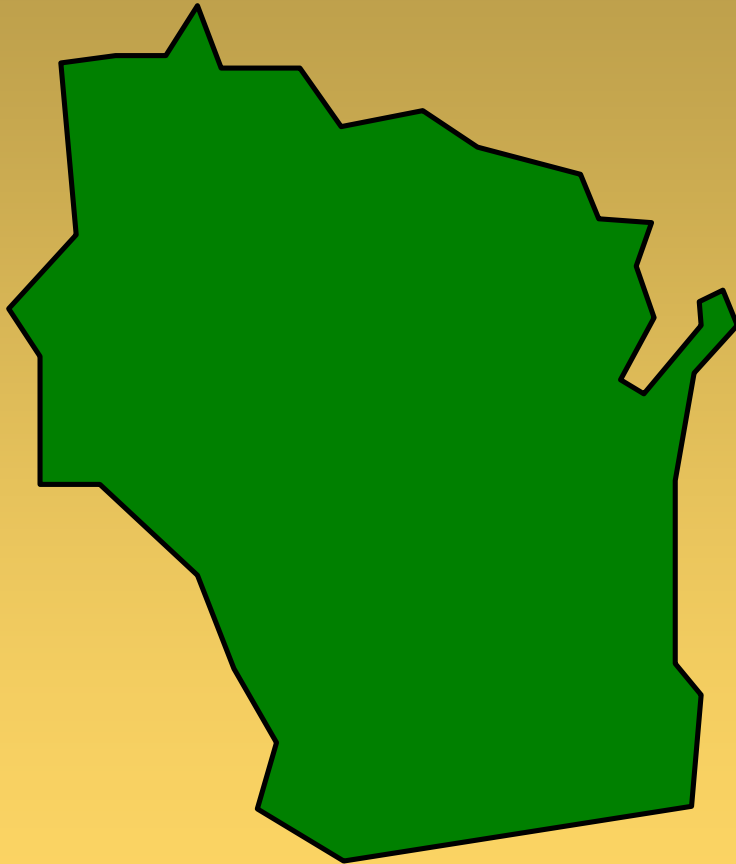
- Product of Choice for Many Smaller Companies
- Exemption for Some Policies
- Subject to Same Rules As If a Term Product Within Universal Life



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Wisconsin Update



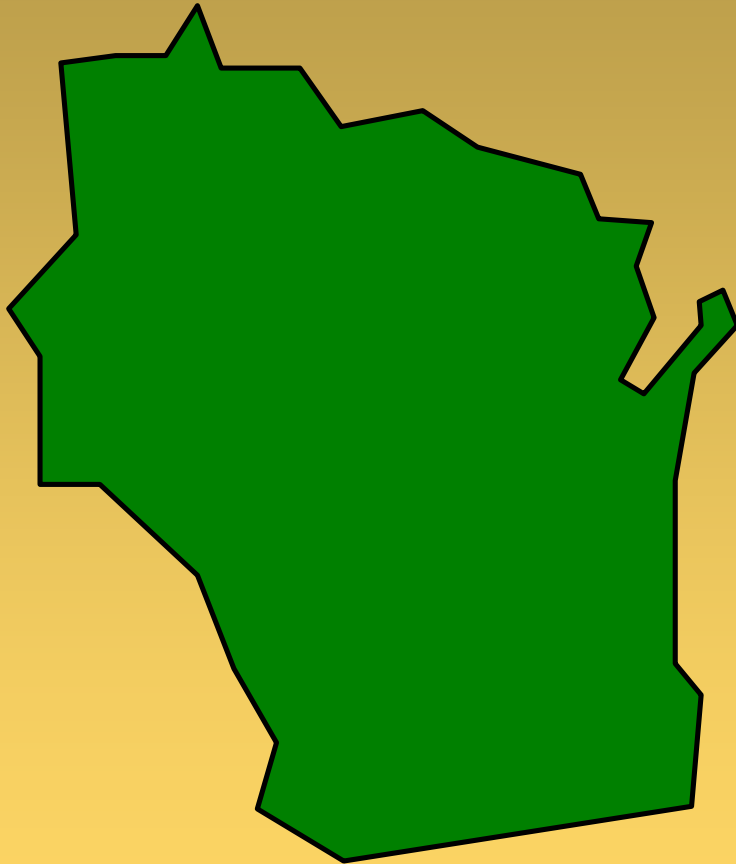
- Effective 1/1/1999
- Will Move to 7/1/1999, If...
- May Adopt Revised Model, Effective 1/1/2000



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Wisconsin Myths



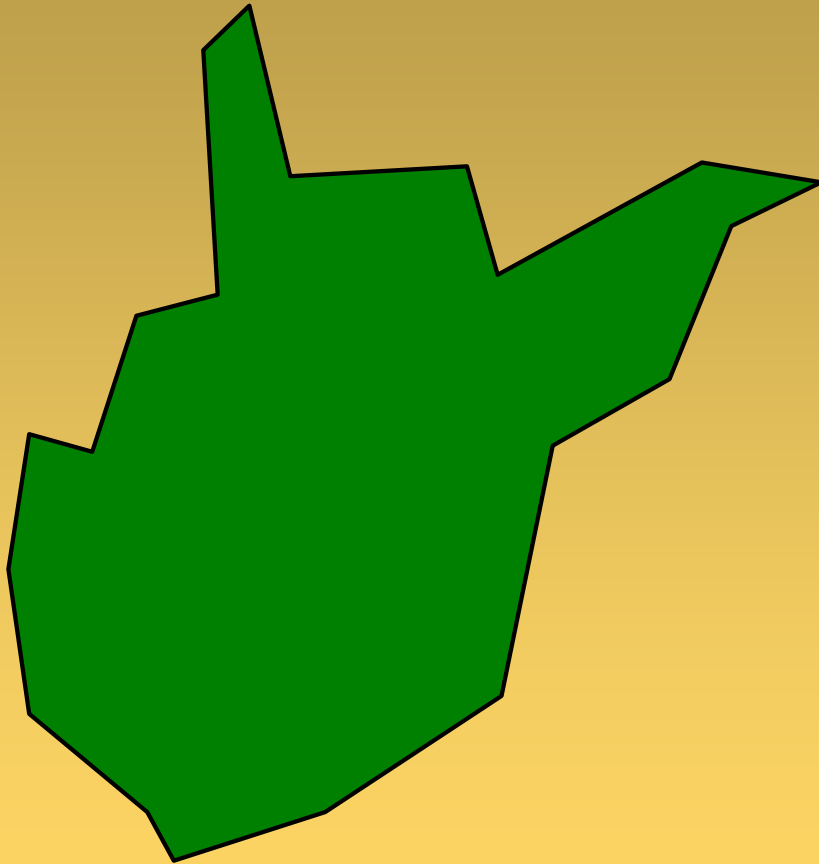
- ☞ Don't File Product in WI
- ☞ Withdraw from WI
- ☞ WI Cannot Affect Products Sold in Other States
- ☞ Long Guarantees Will Disappear



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West Virginia Update



- ☞ Emergency Rule Repeals “XXX”
- ☞ Must be Repealed by Legislature Within 18 months
- ☞ Many Companies are Likely Impaired If Not Repealed

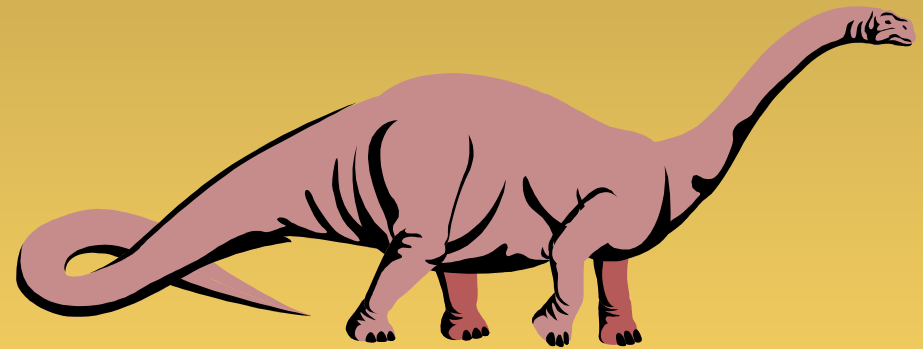


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“AOMR” Update

- Proposal to Eliminate Section 7
- Would Permit Actuarial Opinion Based on “State of Domicile”
- Remaining Issue of Benchmark

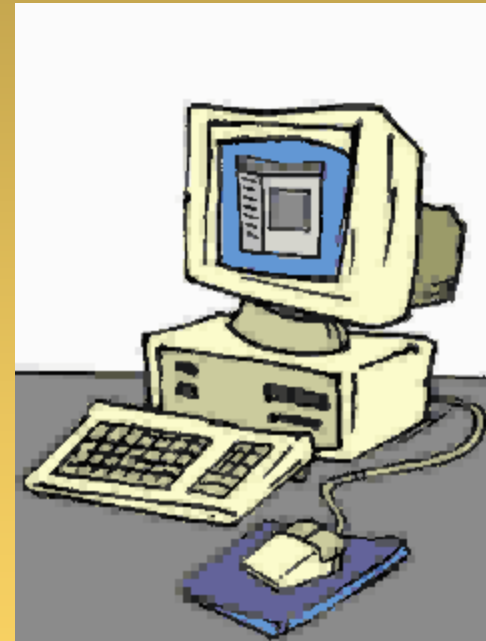


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Eliminate Section 7

- All Companies Required to Opine Based on “Moderately Adverse”
- Regulation Silent on Requirements for Opinion
- New Actuarial Standards Would Address
- ASB to Consider Revising ASOP #7

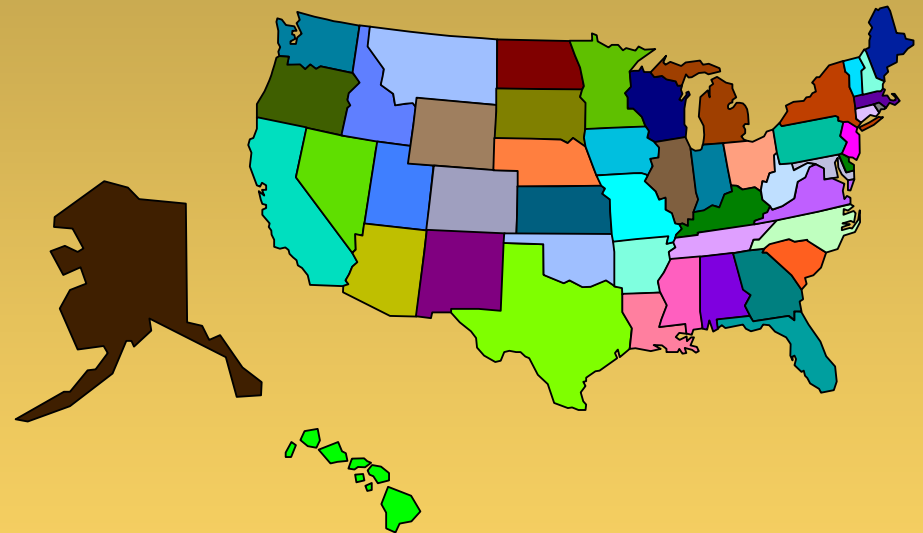


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State of Domicile

- Opinion Based on “State of Domicile”
- Would Eliminate “XXX” Problems in Future
- Commissioner Can Still Require Opinion Based on “State Where Filed”



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Benchmark

- ☞ Need Method to Determine When State Should Investigate
- ☞ Several Options Being Considered
- ☞ Less Focus If Section 7 is Eliminated



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Upcoming Issues



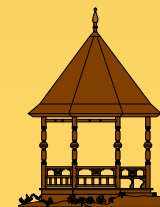
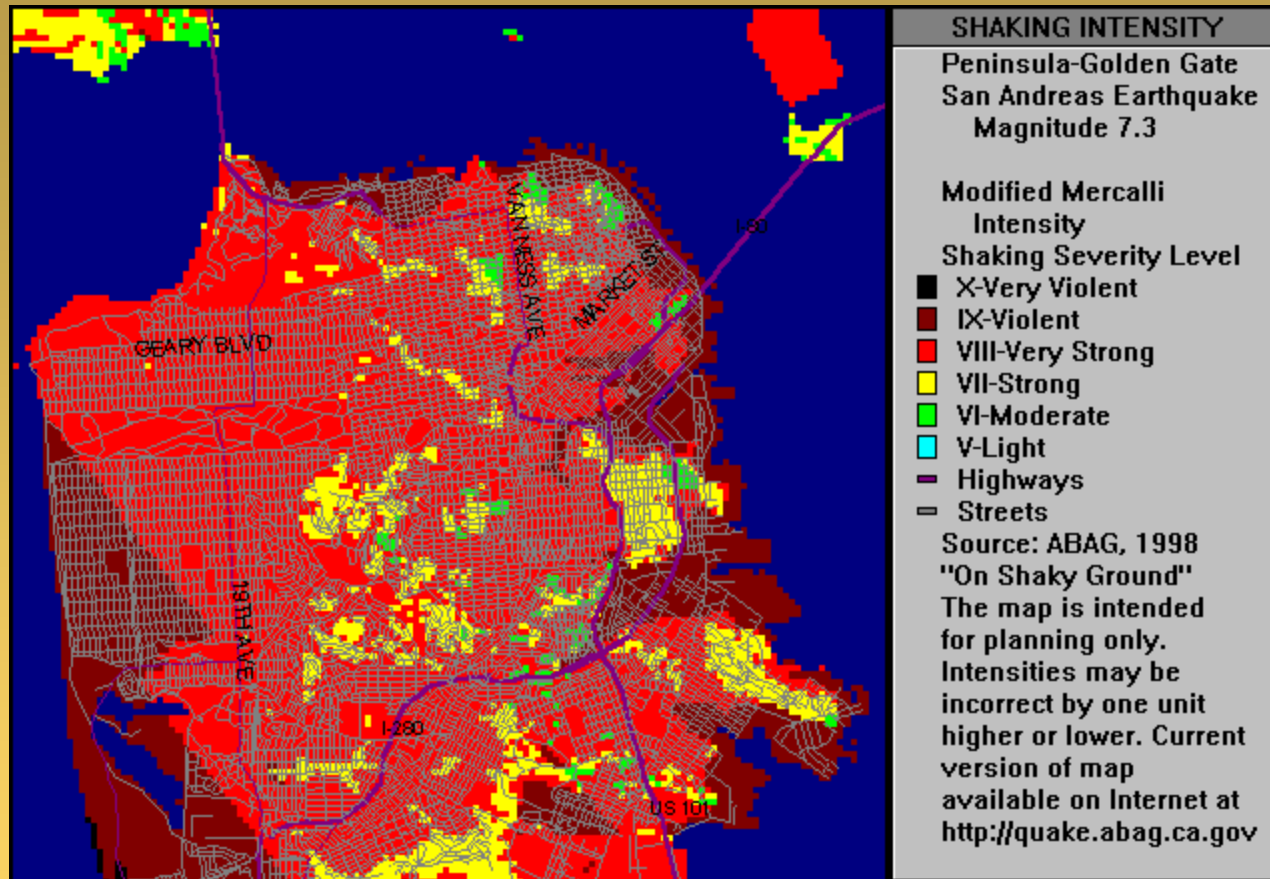
- ☞ UVS
- ☞ Nonforfeiture
- ☞ Annuity Disclosure
- ☞ “ZZZ”
- ☞ “ZZZZ”
- ☞ “MNOP”



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The End



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