



American Academy of Actuaries Nonforfeiture Improvement Work Group
Quarterly Update
March 1, 2012

Since the presentation of the Report of The Nonforfeiture Improvement Work Group (Report) at the Fall 2011 NAIC meeting in Washington, DC, the American Academy of Actuaries¹ Nonforfeiture Improvement Work Group (NFIWG) has continued to hold regular weekly conference calls. The Life Actuarial Task Force (LATF) has also held two interim conference calls to discuss the Report since its presentation. In addition, LATF members felt it appropriate to establish an ongoing dialogue with the ACLI to discuss the proposals set forth in the Report. To this end, the ACLI Standard Nonforfeiture Law Modernization Work Group (ACLI-WG) held one conference call to discuss the Report.

On the LATF conference calls, LATF members were provided with an example of the operation of the proposed Gross Premium Nonforfeiture Method (GPNM) as it would apply to a 30 Year Level Term product. As a result of the discussion of this example, LATF members requested the NFIWG to do the following:

1. Report on the various actuarial issues associated with the choice of the Nonforfeiture Basis (NFB) assumptions to be articulated in the policy and used in determining a policy's Nonforfeiture Account (NFA).
2. Make specific recommendation concerning how the NFB assumptions should be established, including any guardrails felt appropriate from an actuarial perspective.

It is anticipated LATF will schedule additional conference calls to discuss the NFIWG input on the actuarial considerations involved in choosing the NFB assumptions.

On the ACLI-WG conference call, on which the NFIWG was represented by its Chair, members of the ACLI-WG group posed numerous questions relating to various elements of the Report, including:

1. The framework for nonforfeiture reform as presented in the Report.
2. The operation of the proposed GPNM approach.
3. The considerations involved in choosing the NFB assumptions used in determining the policy NFA.

Additional conference calls with the ACLI-WG are anticipated to discuss these issues further.

The NFIWG appreciates the opportunity to keep LATF apprised of its activities with regard to its proposal for nonforfeiture mandate reform.

¹ The American Academy of Actuaries is a 17,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States