Brian Bayerle  
Senior Actuary  

June 16, 2021  

Mr. Mike Boerner  
Chair, NAIC Life Actuarial (A) Task Force (LATF)  

Re: ACLI Comments on APF 2021-09  

Dear Mr. Boerner:  

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide comments on APF 2021-09.  

We have the following technical comments regarding the APF:  

1) Consistency of Reserve vs TAR  

There appears to be an inconsistency between where the APF mentions reserve versus TAR in the threshold to ensure there is no understatement; it was unclear if this was done intentionally or due to porting language from VM-20:  

- In the added VM-21 Section 1.E, it states that the materiality standard should be established “containing the criteria for determining whether an assumption, risk factor or other element… has a material impact on the size of the reserve or TAR”  
- In the added VM-21 Section 3.H, it states that a company can use simplifications, approximations, and modeling efficiency techniques if “the use of such techniques does not understate TAR by a material amount.” Only TAR is used throughout Section 3.H. This language is also used in VM-31 Section 3.F.2.e of the APF.  

2) Application to Alternative Method  

It was unclear if the APF intended to apply these requirements regarding approximations, simplifications, etc. to the Alternative Method calculations. The APF specifically mentions the stochastic reserves and the additionally projection amount but did not mention the Alternative Method amount. VM-20, applies requirements regarding simplifications to the NPR, so we request clarification in the text or a guidance note.  

3) Multiple criteria in Section 3.F.2.e
Section 3.F.2.e provides for two criteria related to the TAR:
   1) the use of each approximation, simplification, or modeling efficiency technique does not
      understate TAR by a material amount; and
   2) the expected value of TAR is not less than the expected value of TAR calculated without
      using the approximation, simplification, or modeling efficiency technique.

As both approaches would result in a higher TAR, it is not clear how these conditions are
significantly different. We would request an example of how these criteria might apply in different
cases.

   4) Additional allowable demonstrations in Guidance Note

The guidance note discusses various ways to provide the required demonstrations. ACLI would
suggest adding an additional bullet that states that backtesting and E-factor documentation are
acceptable demonstrations for hedging modeling simplifications covered by those requirements.

We look forward to a discussion of this amendment on a future call. We appreciate the
consideration of our comments.

Sincerely,

[Signature]

cc: Reggie Mazyck, NAIC