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Rachel Hemphill
Chair, NAIC Life Actuarial (A) Task Force (LATF)

Re: APF 2023-09

Dear Chair Hemphill:

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide comments on APF 2023-09 which would add guidance on consistency between HMI and FMI Rates for company HMI assumptions.

ACLI supports a principle-based reserving framework that uses the most recent, relevant, and credible data to support critical assumptions.

While we appreciate the spirit of this APF to align the mortality with the LATF-adopted mortality improvement components, we oppose this APF for supplanting relevant company data with considerations imposed using general population data. We note the following concerns:

1. May restrict use of own HMI assumptions

ACLI is concerned that the APF may unintentionally prohibit companies from using their own HMI assumptions if LATF is going to prescribe specific considerations. Our current understanding is that the specific considerations will be implemented for consistency's sake and that if companies use their own HMI, they may need to modify those assumptions based on how the LATF-approved version was constructed; however, further clarification on this point would be welcomed.

2. May require adjustments to align expected and actual mortality

Modifying historical improvement, and how it relates to mortality in aggregate, may require adjustments to the base mortality factor to ensure assumptions are reasonable relative to experience. This would shift PBR assumptions away from company best estimate assumptions and create additional challenges with modeling, governance, and reporting.

In the case that actual company mortality is improving while LATF-approved HMI showed disimprovement, this may impose an additional margin on the company. For example, if the SOA improvement is 1% per year deterioration (-1% improvement) and company actuals (using a 10-year study period with 5 years from mid-study to valuation date) demonstrate a 1% improvement, then mortality with SOA HMI is now 10% higher than best estimate at the valuation date before margins [(1% - -1%)*5 = 10%].

For these reasons, we ask that this APF be withdrawn.

Thank you once again for the consideration of our comments and ACLI is looking forward to further discussion on this APF at a future LATF session.

Sincerely,

Colin Masterson

cc: Scott O’Neal, NAIC