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Senior Actuary

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Ben Slutsker  
Chair, NAIC Valuation Manual (VM)-22 (A) Subgroup (Subgroup)

Seong-min Eom  
Chief Actuary, New Jersey Dept of Banking & Insurance

Re: VM-22 Longevity Reinsurance Proposal

Dear Ben and Seong-min:

The American Council of Life Insurers (ACLI) appreciates the opportunity to submit feedback on the longevity reinsurance proposal for VM-22.

Consistent with our prior comments, ACLI favors longevity reinsurance reserves to be principles-based with prudent margins included in the assumptions. For this reason, we have several concerns about the proposal:

- A separate reserving category for longevity reinsurance moves the framework further away from alignment with how companies actually manage their business. Additionally, there may be implications for any future treaties that combine business that meets the definition of longevity reinsurance together with other products.
- There are comparable products in the marketplace that exhibit similar cashflows and overlapping risk profiles as longevity reinsurance. Separate requirements could ultimately disadvantage longevity reinsurance. Further, such an approach may exacerbate differences between ceding and assuming company treatment.
- The definition of “longevity reinsurance” and the SSAP 61R requirements creates challenges to identify what would go into this reserving category versus other categories containing analogous risks.
- Net premium ratios and net premiums go against Principle 2 of VM-22 and the idea that a company should be modeling all their cashflows (and not arbitrarily excluding some).

One of the stated objectives of this proposal is to address the possibility of negative reserves. However, the net premium reserve methodology will not prevent negative reserves. We believe alternative solutions could better meet regulators’ concerns and the spirit of a principle-based framework (such as a floor of zero), and we wish to work with regulators to craft a better solution.

Thank you for your consideration.

A handwritten signature in black ink, appearing to read "B. Banerji". The signature is fluid and cursive, with the first letter of the first name being a large, stylized 'B'.

cc: Reggie Mazyck, NAIC