Dear Mr. Boerner:

The American Council of Life Insurers (ACLI) appreciates the opportunity to submit the following comments on the exposed document “Criteria to Assess VM-20 Solutions for Modeling Non-guaranteed YRT Reinsurance”.

ACLI recognizes the inherent challenges in addressing the level of the YRT reinsurance credit under a PBR framework. We appreciate the criteria document that the members of LATF have pulled together to assess potential solutions. We believe that some of the inherent complexity in addressing this issue is due to the level of margins, notably mortality margins, in the computation of the direct reserve. The results of the field study demonstrate the difficulty of clarity, consistency in interpretation, and application of any of the proposed solutions. Some companies favor a simpler solution; other companies support a solution that balances principles-based criteria and model complexity, considers the level of margins, and reflects an appropriate level of risk shared between the direct writer and reinsurer.

Among the criteria outlined, industry is intrigued by the sixth criteria on consideration of mortality improvement beyond the valuation date. Industry supports a prudent level of mortality improvement in the reserve projection as a step to right-size the mortality margin. We support the effort of the joint SOA/Academy POG that is exploring a future mortality improvement methodology for use in projected reserves.

Regarding the requirements outside of the Valuation Manual, we believe the point should make clear that changes to the APPM may be appropriate depending on the solution decided by regulators. As worded, it seems to suggest that the solution should fit into the confines of the accounting requirements, rather than appropriate reserve requirements informing the accounting requirements.

We appreciate the consideration of our comments, and look forward to discussing on a future LATF call. Thank you.
Sincerely,

[Signature]

cc: Reggie Mazyck, NAIC