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Rachel Hemphill

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

Re: APF 2024-12 (Group Annuity Mortality Experience)

Dear Chair Hemphill:

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide our feedback on the LATF exposure of APF 2024-12 which proposes revisions to VM-50 and VM-51 to address outstanding concerns with group annuity mortality data collection. We also appreciate the seventy-five-day comment period which allowed industry adequate time to thoroughly review the proposal and put forth substantive commentary.

After our general feedback below, ACLI's comments align with the section titles used on the cover page of the exposure.

**General Comments**

- How will this data be used in the future? Anticipated uses such as use in SPA assumptions should inform what kind of data are included now. If there are other planned uses, we would like clarification on what those may be and suggest discussion about what percentage threshold will allow the data to be considered credible. Further, there should be meaningful consistency of companies in scope between periods so the data is more meaningful.
- The combination of the requested fields, notably zip code, could raise PII concerns. We would encourage the Task Force to eliminate anything that is not absolutely necessary for the purpose intended.
- The group annuity mortality experience data collection should be focused on products listed in the draft VM-22, such as PRT and longevity reinsurance, as the longevity risk is

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material for those products. We do not believe group annuity contracts used in Defined Contribution (DC) and DC-like plans should be the focus of the experience study due to lack of longevity risk. Additionally, it is not appropriate to combine DC with PRT and longevity reinsurance into one mortality table since they are different markets.

#### **VM-50 Section 2.B.2.b:**

- Regarding the timing of when the data collection process could begin, we believe it would be beneficial to do a “dry run” of best efforts for 2026 before full implementation on 1/1/2027. Such an action would give the NAIC and industry participants the opportunity to identify and potentially mitigate any issues that could arise prior to formal mandatory collection.

#### **VM-50 Section 4.B.3:**

- ACLI does not have feedback on any edits in this section.

#### **VM-51 Section 3.C:**

- ACLI is supportive of the general idea that a material threshold be established.
- Regardless of the threshold, regulators should exclude small plans since they’re unlikely to make it in any way. We suggest “small” be less than 100 lives, so it does not skew the data. We suggest such a provision could be generally captured in the APF and be worked out between NAIC and their companies on an individual basis.

#### **VM-51 Appendix 5: Group Annuity Mortality Data Elements and Format:**

- Generally, many of the of the data elements seem to be trying to take elements of Pri-2012 and apply them to PRT. However, PRT is de-linked from the employer. So, some of the data elements requested seem unclear or unavailable to some companies; we have some comments by item in the sub bullets below.
  - Information pertaining to employment or plan demographics is likely not available for most companies (i.e. items 5, 8, 15, 19, 20, 21, 23, 25, 26, 27).
  - NAICS Code / SIC Code (item 6 and 7) – The data may be available, but for companies that use industry in pricing, they may assign an industry code if it is unknown. Also, there are older versions of NAICS that are still used, so there could be inconsistency between companies in identifying industry. Since there is some interpretation, it would be helpful to provide industry definitions that companies work towards. Also, is there a specific level of granularity requested? NAICS codes may be identified with different digit levels (2-digit, 4-digit, etc.).
  - Size of employer group (item 8) – It is unclear what this means; it could include (1) covered employees in original pension plan, (2) the employer’s employees in total, or (3) employees in the specific transaction.
  - Annuity type (item 10) – How is “Variable Annuity” defined? Would a COLA qualify, or is it plans that are by definition “Variable Annuity Pension” DB plans?
  - Guaranteed status (item 12) is unclear and should be removed.
  - Retirement class (item 30) – Is this the status of the participant’s retirement at the time of original commencement? If so, it seems unnecessary given date of retirement and NRD/NRA also must be provided.
  - Participant’s total monthly pension (item 32) – Should this be as of the beginning or end of the year?

- Benefit type and survivor options (items 33 and 34) – Are certain only payment forms presumably then excluded from collection?
- Minimum and maximum effective date (items 38 and 39) – Given the volume of data the regulators already intend to collect; we do not believe these fields would add incremental value or would be available at all companies. We recommend removing these from the proposal.
- ZIP Code (item 47) should be replaced with State.
- In Appendix 5, the APF language acknowledges companies may not have all the fields listed available and we agree that may be the case. The language goes on to say if key fields necessary to perform an experience study are left blank, the NAIC may make approximations. It would be helpful to identify in the table which fields are considered “key” to ensure there is a shared understanding of what those are specifically. Both materiality and data limitations should also be considered when establishing the data fields for mandatory data collection.
- What are regulator’s expectations given limitations in the availability of data in certain items: would partial submissions that differ from company to company be acceptable or would some of the elements need to be removed? We suggest as another potential option using what organizations such as the Society of Actuaries collect as a guide for the data submission process in the absence of the availability of all fields.

Thank you once again for the opportunity to provide this feedback and we look forward to further discussion at a future session of LATF.

Sincerely,

 Colin Masterson

cc: Scott O’Neal, NAIC