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Seong-min Eom  
Chair, NAIC Longevity Risk (E/A) Subgroup

Re: February 2026 Longevity C-2 Exposures

Dear Chair Eom:

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide feedback on the Longevity Risk (E/A) Subgroup's latest set of exposures related to the development of an updated C-2 charge for longevity reinsurance contracts. We would also like to take this time to once again thank all interested parties including regulators, NAIC staff, American Academy Actuaries (Academy) members, and others for the work that has been put into this effort to date.

ACLI would recommend proceeding with the Academy proposal, with deferred implementation until year-end 2027. We would support disclosure of the draft framework for 2026 reporting as a field test. The updates to the RBC Blanks could be implemented without factors, while additional analysis and development of factors is performed for 2027 implementation.

Deferring framework implementation until 2027 would allow for outstanding considerations to be addressed, including, but not limited to, calibration of mortality stresses (both level and trend) to the appropriate percentile. There is no need to rush implementation of a charge for 2026, given that for most transactions, the excess of the fixed leg plus fees exceeds the floating leg, so there is not any immediate liquidity or solvency risk. The additional time would also provide an opportunity to discuss the concern raised by regulators regarding a hypothetical situation where a significant shortage of fixed premium is used to pay for the floating leg in the short-term, with significant fixed premium in future years. This type of structure would be incongruent with the purpose of entering these transactions, and we would like to clearly address this problem in the solution.

From a more practical perspective, a 2026 field test of the Academy proposal would also allow interested parties to better understand the impact and any operational challenges (including forecasting and pricing perspective) presented by the implementation of an updated C-2 charge.

Prior to adoption of factors in 2027, ACLI suggests the following considerations to be worked through as starting points for the development process:

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The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 275 member companies represent 94 percent of industry assets in the United States.

- Pre-PBR discount rate:
  - Would use of the CARVM rate create operational complexity given it varies by issue year?
  - Given the use of the CFT model to calculate C-2 for pre-PBR business, should the factors use the CFT's level scenario (i.e., scenario #1)?
- Pre-PBR baseline mortality:
  - Since it is not calibrated to VAR85, ACLI does not think this should be used in the statutory reserving assumption. As an alternative, could we consider a reserving methodology that states that the "baseline mortality assumption should follow the assumption used in either cash flows testing for pre-PBR or prudent estimate assumption for PBR"?
- TAR Flooring:
  - The flooring at individual TARs moves away from a principle-based framework. In addition, the flooring at the individual TARs will likely produce zero C-2 capital, does not address the original New Jersey concern, and creates unnecessary complexity. ACLI supports the original Academy proposal without flooring at the individual TARs level and would like to see this considered as we move towards 2027.

Within LR025-A's *Specific Instructions for Application of the Formula*, ACLI would also like to suggest the following addition (in blue) to the changes already proposed (in red):

*Excluding longevity reinsurance, Annual statement reference is for the total reserve for the products in scope. For purposes of Line (5), "Life Contingent Annuity Reserves Excluding Amounts Attributable to Longevity Reinsurance" shall mean the portion of statutory reserves for in-scope annuity contracts to the extent longevity risk has not been ceded under a Longevity Reinsurance agreement as defined in VM-01, and shall exclude statutory reserves established for longevity risk assumed under a Longevity Reinsurance agreement.*

ACLI puts forward these edits as they would explicitly allow for RBC relief for a ceding company entering into a longevity reinsurance transaction.

Thank you once again for the opportunity to provide this feedback and we look forward to further dialogue soon.

Sincerely,

 Colin Masterson

cc: Scott O'Neal, NAIC