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Seong-min Eom

Chair, NAIC Longevity Risk (E/A) Subgroup

Re: The July 2025 Longevity Risk Factor Approach Proposal Request

Dear Chair Eom:

The American Council of Life Insurers (ACLI) appreciates the opportunity to submit a proposed approach to develop Life Risk Based Capital Longevity Risk C-2 factor(s) for longevity reinsurance business as requested by the Subgroup. In accordance with the language included in the exposure document, we note that we were also mindful throughout the drafting process that the Subgroup is not seeking development of specific C-2 factor values with deep technical analysis and made sure to include descriptions of methodologies for C-2 factor development, complete with explanations and justifications for our proposed approach.

ACLI proposes applying the C-2 factor to the present value of benefits, with an offset credit for future surplus not included in calculated statutory reserves.

We believe this approach is preferable for several reasons. First, it leverages the current C-2 framework without developing a separate methodology for longevity reinsurance. This aspect of our proposal is crucial since there are many parts of the current C-2 methodology that work well as risk measurement tools. Second, given premiums are contractually guaranteed and claims are only due if premiums are paid, this approach would allow for equivalent treatment in the RBC framework between longevity reinsurance and annuity products where assets from the initial premium are available to fund capital. Further, this approach recognizes that early duration reserves are not an appropriate basis to apply the factor, thus it bifurcates the reserves into the benefits (to which the C-2 factor can be applied), as well as consideration for future surplus not included in calculated statutory reserves.

While there would still be questions left to answer and analysis left to be performed related to other considerations such as shocks for data from other countries and specific application of the proposal discussed above, our proposal helps address the overarching concern of what the appropriate level of tail risks is to consider. Getting the Total Asset Requirement to a point where it properly captures longevity risk, meets the desires of regulators, and allows for companies to hold appropriate capital is imperative and should be the desired outcome of any methodology changes to this portion of the RBC framework.

Thank you once again for the opportunity to provide this feedback and we look forward to further discussion with regulators and NAIC staff at the Subgroup level.

Sincerely,

 Colin Masterson

cc: Amy Fitzpatrick, NAIC