



AMERICAN ACADEMY of ACTUARIES

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June 21, 2022

Mr. Michael Boerner
Chair, Life Actuarial (A) Task Force (LATF)
National Association of Insurance Commissioners (NAIC)

Re: LATF's June 9, 2022, exposure of a revised version of APF 2022-04 on swap spreads and LIBOR transition to SOFR (the "APF"), and a related memo (the "Memo") from NAIC staff

Dear Mr. Boerner,

The Life Reserves Work Group, Annuity Reserves and Capital Work Group, and Variable Annuity Reserves and Capital Work Group of the American Academy of Actuaries¹ (the "Academy") appreciates the opportunity to provide comments on the APF and Memo. The Academy is thankful to LATF and NAIC staff as well for the May 26 exposure of earlier versions of the APF and of the Memo, for the March 10 exposure of an even earlier version of the APF drafted by the Academy and an accompanying Academy presentation deck, and for considering Academy member views expressed in our June 7 comment letter and in May through an informal drafting group discussion and follow-up emails.

The Academy is supportive of the exposed documents. We have the following comments on the two topics in the exposure for which LATF solicited feedback.

On Option A vs. Option B:

The Academy recommends Option A as it is easier to implement, and we do not expect Option A to result in materially different SOFR swap spreads used by companies than may result from Option B.

¹ The American Academy of Actuaries is a 19,500-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

On “companies” vs. “appointed actuary” in Option A:

The Academy recommends that in the APF, “the company” is the preferred phrase, rather than “companies” or “the appointed actuary,” and that in the Memo, “The company” is the preferred phrase. Our rationale for this recommendation is consistency with numerous uses of this phrase and the absence of references to “appointed actuary” throughout Section 7 of VM-20. We note that the phrase “qualified actuary” is another alternative to consider, though for this context we believe that “the company” is most appropriate.

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The Academy appreciates the efforts of LATF and NAIC staff on the APF and Memo. If you have any questions or would like further dialogue on the above topics, please contact Amanda Barry-Moilanen, life policy analyst, at barrymoilanen@actuary.org.

Sincerely,

Alan Routhenstein, MAAA, FSA
Member, Life Valuation Committee
American Academy of Actuaries