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September 6,2022

Mr. Scott O'Neil, FSA, MAAA
Life Examination Actuary, NAIC
1100 Walnut Street, Suite 1500
Kansas City, MO, 64106-2197

RE: Comments Regarding Actuarial Guideline No. 53 Data Collection Template

Dear Mr. O'Neal:

In August of 2022, the Life Actuarial Task Force (LATF) exposed for comment a template to be used to collect data from companies that must meet the requirements of Actuarial Guideline No. 53 (AG 53).

As an interested party, RRC appreciates the opportunity to offer our comments. Should you have any questions, we would be happy to discuss with you and LATF members at your convenience.

- Overall, the template appears to be a helpful tool for regulators to obtain the information required by AG 53, as well as a helpful tool for companies to provide the required information.

- We support the guidance that companies should use "best efforts" to provide the information. Because the requirements are new, the underlying assets and models vary, sometimes significantly, from company to company, and companies will not have had a lot of time to prepare, use of this approach seems appropriate for year end 2022.

- Regarding the asset categories in the template, we recommend the following:

    - Breaking out equity and equity-like instruments, including different kinds of equity funds, into public versus private. Another potential consideration would be to request information on the market volatility of the holding, most often expressed as the beta. We note that life insurers should already have this available based on risk-based capital requirements for common stock. While there are many different ways to assess the risk profile of common stock, we consider beta, as a measure of market volatility, to be one of the simplest.

    - Breaking out private bonds between those that are considered highly marketable (e.g., tradeable under Rule 144A) versus those that are considered true private placements.

    - Adding some breakdown by asset quality, such as NAIC rating, or at least above versus below investment grade. It would also be helpful to distinguish between those bonds that are rated by an NRSRO and those that are assigned a Designation by the NAIC's Investment Analysis Office.

This is because bonds that are rated by one of the NRSROs are more marketable.

- Breaking out assets by duration bucket (such as 5-10 year buckets plus those that do not mature). While duration would be the appropriate measure, years to maturity for fixed income instruments could also be used as an indicator of interest rate risk. As interest rates rise and the shape of yield curve changes, this could become a critical consideration.

- Breaking out the cash flow structure of RMBS between pass-through, structured cash flow, and interest-only. Cash flow variability can be a substantive factor due to prepayment variability as interest rates change.

- Breaking out Investments Reported on Schedule BA by the basic categories of (a) collateral loans, (2) private funds, and (3) other. Investments Reported on Schedule BA continue to be an area of concern due to their lack of transparency. There is detail in the investment schedule, but having this information in the template would be helpful in determining materiality to the question at hand.

- You may want to consider including information regarding the asset's book/adjusted carrying value versus the par/accreted value. This profile can be useful in understanding the valuation profile under different economic and market environments. It would also be significant in understanding the real risk of loss to capital in stressed scenarios.

Thank you for the opportunity to provide comments on this important initiative. Please don't hesitate to contact us if you or other LATF members have any questions.

Sincerely,

Patricia E Matson

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