American Academy of Actuaries

February 2, 2026

Seong-min Eom, Chair
Longevity Risk (E/A) Subgroup
National Association of Insurance Commissioners

Re: Questions on Longevity Reinsurance C2 Proposals

Dear Chair Eom:

On behalf of the Longevity Risk Task Force (Task Force) of the American Academy of Actuaries,[1] I am sharing some additional feedback regarding a framework for the RBC C-2 charge for longevity reinsurance.

The Task Force recommends a principle-based approach as outlined in our Dec. 15, 2025, comment letter. A principle-based approach should reflect the impact of longevity stresses to benefits over the entire projection period. The factors in New Jersey's proposal were intended to be applied to the present value (PV) of future benefits, rather than the next 12 months of scheduled benefits. It was not intended to apply the factors to a different metric.

Responses to NAIC Longevity Risk Subgroup December 19, 2025, Questions

- *Question 1 (which proposals are preferred between AAA, ACLI, and NJ?)*:
  - The Academy and ACLI approaches are preferred as they measure long-term longevity risk by applying longevity shocks to projected benefits and recognize all cash outflows and inflows for the transaction.
  - Academy and ACLI approaches are aligned and should lead to similar answers.

- *Question 2 (recommendation on break points):*
  - The break points in the current C-2 approach were calibrated to the PV of benefits and would not directly translate to a different metric; thus the breakpoints may be appropriate for the ACLI proposal, which is applied to the present value of benefits, but not the NJ proposal, which is applied to the next 12 months of scheduled benefits.
  - Break points were calibrated to U.S. payout annuities and would require additional analysis and possible recalibration for Longevity Risk Transfer business.

- *Question 3 (implementation timeline)*
  - When C-2 longevity charges were adopted in 2021, the Life Risk-Based Capital (E) Working Group made the decision to not include Longevity Reinsurance. The Task Force believes it might be more prudent to delay implementation until a more methodologically sound charge can be developed.

[1] The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For 60 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

- In the interest of expedience for a 2026 implementation of a C-2 longevity risk charge, the mortality stress parameters in the Academy’s proposal reference the prior analysis and calibration from 2019. The mortality stress factors should be re-evaluated and recalibrated to determine whether updates are needed, which would likely extend the project beyond the May 15, 2026, deadline.

If there are any questions or if the Subgroup would like to discuss these comments or the example further, please contact Amanda Barry-Moilanen, the Academy’s life policy project manager (barrymoilanen@actuary.org).

Sincerely,

Linda Lankowski, MAAA, FSA
Chairperson, Longevity Risk Task Force
American Academy of Actuaries

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February 2, 2026

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

Re: The Fall 2025 Longevity Reinsurance C-2 Exposures

Dear Chair Eom:

The American Council of Life Insurers (ACLI) appreciates the opportunity provide feedback as it relates to the Subgroup's development of Life Risk-Based Capital (RBC) Longevity Risk C-2 factor(s) for longevity reinsurance business. We are also incredibly appreciative of the work done before, during, and after the 2025 NAIC Fall National Meeting where this issue was last publicly discussed including the exposure of a series of questions accompanying proposals made by our organization, the state of New Jersey, and the American Academy of Actuaries (the Academy). In line with the structure of the exposure questions document, ACLI has the following comments:

1. *Which of the two proposed approaches are preferred to apply to longevity reinsurance?*

   Our preference is towards the proposal put forward by ACLI with the New Jersey approach as an additional short-term option, provided that the latter's leveraging of the current C-2 factors, as they exist in the RBC framework, does not change. While this will be described in more detail in our response to Question #3, the desire of regulators and industry to have updates in place for year-end 2026 would necessitate avoiding major structural RBC changes and comprehensive analysis required to develop new factors. While there is always the possibility that this work can be reopened in the future, should the need arise, more time is needed than is currently available to perform the work of recalibrating the factors.

2. *The breakpoints in the proposed approaches from ACLI and New Jersey are based on the current LR025-A breakpoints proposed by the Academy in 2019 and adopted in 2020. Are these break points appropriate for longevity reinsurance contracts and should they be adjusted given the relatively small reserve associated with these contracts?*

   We do not have any objections to the continued use of the current break points given they are based on the 1Y benefits for the New Jersey approach and the PV of benefits from the ACLI approach.

3. *The structural changes to the RBC blanks, including adding columns/lines to the RBC Blanks need to be recommended to Life Risk-Based (E) Capital Working Group by March 1, 2026, in time to be effective for all in force business as of 2026 year-end. If corresponding changes to factors are also considered for 2026 adoption, would the timeline below be viable?*

   As we alluded to above, ACLI does not have any objections to the March 31st to May 15th timeline for structural changes to the RBC, so long as there are not any changes to the C-2 factor. Further calibration beyond the existing factors would be a challenge during that period, especially given the volume and magnitude of other efforts currently going on at the NAIC. To be completed in as holistic a manner as possible, this window would also likely not be sufficient enough time to identify, analyze, and possibly remedy a number of other technical questions that must be considered.

   One such issue that warrants explicit consideration is the treatment of reinsurance credit for ceding companies. The current proposals focus on the application of longevity C-2 to assuming entities but do not address whether, or how, longevity reinsurance is recognized as risk transfer for ceding companies. This consideration is relevant both for longevity reinsurance transactions (as defined in VM-22) and for the existing longevity C-2 charges applicable to Single Premium Immediate Annuities (SPIA) and Pension Risk Transfer (PRT) business.

   Ceded credit should be applied such that the longevity C-2 capital requirement resides with the entity that ultimately assumes the longevity risk. Capital relief should be applied consistent with the treatment of other RBC charges, in particular mortality C-2.

Thank you once again for the opportunity to provide feedback on this topic and we look forward to further discussion soon at the Subgroup or Life Actuarial (A) Task Force level.

Sincerely,

Colin Masterson

cc: Amy Fitzpatrick, NAIC

PACIFIC LIFE

KORY J. OLSEN, FSA, CERA, CFA, MAAA
Vice President & Appointed Actuary

February 2, 2026

Seong-min Eom
Chair, NAIC Longevity Risk (E/A) Subgroup
Attn: Amy Fitzpatrick (afitzpatrick@naic.org)

Re: C-2 Longevity Reinsurance Proposals & Questions Exposure (December 2025)

Dear Chair Eom,

Pacific Life would like to thank the Longevity Risk (E/A) Subgroup ("Subgroup") for the opportunity to comment on the proposals exposed following the 2025 NAIC Fall National Meeting to establish a framework for an RBC C-2 requirement for longevity reinsurance.

For nearly 160 years, Pacific Life has delivered on our purpose to provide Confidence for Generations to our members, customers, and distribution partners. We offer a wide range of life insurance, annuity, and employee benefit products to support individuals and families with their financial needs, along with a variety of investment products and services to individuals, businesses and pension plans. As a mutual company, our unique holding structure enables us to focus on our long-term goals to maximize policyholder value while ensuring that we remain committed to meeting the needs of our members for generations to come.

Background

The longevity reinsurance block of business has several notable characteristics to consider when establishing the appropriate level of capital.

First, longevity products, including longevity reinsurance, are impacted by both long-term risks (trend risk) and short-term risk (level or volatility risk). The original development of the C-2 longevity factors considered both trend risk and level or volatility risk by calibrating factors to long-term and short-term mortality stresses.

Second, the structure of these transactions includes a stream of future guaranteed premiums and reinsurance fees to the assuming entity. Because these cash inflows are contractually guaranteed, they provide a meaningful offset to potential variability in the long-term liability. These cash flows differentiate the block from traditional payout annuities or other contracts typically considered under the RBC framework for C2 longevity risk, where such guaranteed premium streams generally do not exist.

Considering these characteristics, we believe that the focus of establishing an RBC C-2 longevity charge should reflect a holistic view of longevity risk, considering both long-term and short-term risks on the business, as well as all significant cash flows of the contract.

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NAIC Exposure Questions
Below are our responses to the Subgroup's exposure questions following the discussion at the Life (A) Actuarial Task Force at the 2025 NAIC Fall National Meeting:

1) *Which of the two proposed approaches are preferred to apply to longevity reinsurance? (Academy, ACLI, New Jersey)*

We support the ACLI's proposed approach for several reasons:

- **Calibration Consistent with RBC Principles:**
The ACLI proposal leverages factors based on prior analytical work performed by the American Academy of Actuaries during the development of the original longevity C2 factors. The prior work includes calibration of the factors to the 95th percentile, consistent with RBC principles, and reflects both short-term (level) and long-term (trend) mortality stresses. Additionally, the factors were calibrated to statutory reserves, which for most products in scope of C-2 longevity risk are largely determined by the present value of future benefits ("PV Benefits"). For the longevity reinsurance block of business, we believe that PV Benefits serves as a reasonable substitute metric for the role that a statutory reserve plays for other longevity products.

- **Recognition of Guaranteed Future Cash Flows:**
We believe the ACLI proposal appropriately reflects the guaranteed future stream of premiums and reinsurance fees in the calculation of the C-2 risk charge. Because these cash flows are contractually guaranteed and not subject to change due to mortality experience, they should be reflected in determining a risk charge that aims to represent "surplus needed to provide for claims in excess of reserves", as referenced in the "Basis of Factors" section of RBC LR025-A instructions.

- **Balance between Principle and Expedience:**
By leveraging the existing structure and factors applicable for C-2 longevity risk, the ACLI's approach addresses both the mortality risks and provides a framework that can reasonably be adopted ahead of a year-end 2026 effective date.

2) *The breakpoints in the proposed approaches from ACLI and New Jersey are based on the current LR025-A breakpoints proposed by the Academy in 2019 and adopted in 2020. Are these break points appropriate for longevity reinsurance contracts and should they be adjusted given the relatively small reserve associated with these contracts?*

The existing breakpoints applicable to C-2 longevity risk are calibrated to statutory reserves. As noted in the response to Question 1, the PV Benefits from the longevity reinsurance block of business serves as a reasonable substitute metric for the role that a statutory reserve plays for other longevity products. We support the conclusion that the current breakpoints are reasonable for the implementation of a C-2 charge for longevity reinsurance based on PV Benefits.

3) The structural changes to the RBC blanks, including adding columns/lines to the RBC Blanks need to be recommended to Life Risk-Based (E) Capital Working Group by March 1, 2026 in time to be effective for all inforce business as of 2026 year-end. If corresponding changes to factors are also considered for 2026 adoption, would the timeline below be viable?

"Any proposal that only affects the RBC instructions and/or factors must be exposed by the Life RBC (E) Working Group by May 15 and adopted by the Capital Adequacy (E) Task Force by June 30 of the effective year."

We believe the ACLI proposal represents the most practical solution for 2026 implementation. The limited amount of time between now and the May 15, 2026 deadline, by which a proposal would need to be finalized in order to be implemented by YE 2026, presents a significant challenge to conduct a robust recalibration based on a different metric.

Thank you again for the opportunity to comment. We appreciate the Subgroup's consideration of our comments and welcome continued dialogue as the Subgroup progresses toward a decision on a framework for an RBC C-2 risk charge for longevity reinsurance.

If you have any questions regarding this material, please feel free to contact me at (949) 219-7088 or Kory.Olsen@PacificLife.com.

Sincerely,

Kory J. Olsen, FSA, CERA, CFA, MAAA
Vice President & Appointed Actuary
Pacific Life Insurance Company