

# PETER GOULD

September 19, 2024

Life Actuarial (A) Task Force  
NAIC

Re: Reinsurance Asset Adequacy Testing Concepts - <https://content.naic.org/sites/default/files/inline-files/Straw%20Man%20Draft%20-%20AG%20ReAAT%20-%20LATF%20081124.pdf>

Dear Members of the LATF:

I am a retiree and am writing to comment as a consumer and annuity contract owner with skin in the game. My wife and I depend on Guaranteed Lifetime Withdrawal Benefits from Roth IRA variable annuities for a considerable portion of our retirement income. We did not purchase annuities as speculative investments.

As an annuity owner, the insurer's obligations to me are spelled out in my contracts. However, there are no provisions in my contracts that protect me or provide me rights to prevent my insurer from becoming insolvent or unable to meet their contractual obligations to me. **Consumers rely entirely on state regulators** to adopt and enforce regulations that **proactively and effectively** prevent impairment of insurers' solvency, inability of insurers to honor their contractual obligations to policyowners and failures of insurers.

With respect to reinsurance and counterparty transactions by which risk is transferred to a third party, I'm totally dependent on state regulators to ensure that the invested assets of the reinsurer are adequate to support the ceded reserves so that the money is there when I submit a claim.

Reinsurance and counterparty transactions frequently result in substantial reductions to Total Asset Requirements (TAR). Without your oversight and regulation, these practices increase the likelihood that I will outlive my insurer and that my contractual benefits (bought with my hard-earned dollars remitted as premiums) will not be paid to me when I need them. I don't want to be left "holding the bag", like the 92,000 PHL Variable Life policy owners.

I strongly support the broadest, most in-depth scope for these rules as possible. To that end, I offer the following comments on scope of the Straw Man Draft - AG ReAAT - LATF 081124.pdf:

1. Effective Date - To me, this is a component of scope and I support making the changes applicable to December 31, 2024 Annual Statements. Delaying the effective date until 2025 will be detrimental to consumers as it will facilitate an increase of the already exponential rate by which insurers are moving business offshore to sidestep US reserve requirements and arbitrage regulation and enforcement.

2. Scope - to cast the widest net of consumer protection, I support option 2, modified as follows:  
"This Guideline shall apply to all life insurers with combined reserve credit, funds withheld, and modified coinsurance reserve in excess of the lesser of: \$1 million or 5% of ceding company gross Exhibit 5 gross life insurance plus gross annuity reserves."

In addition, these rules should apply to all treaties/ceded business regardless of establishment date. There's no reason to compromise consumer protection by giving a free pass to older arrangements. Given the huge amount of reinsurance already in place and its exponential growth, it's essential to cover all such arrangements. Prior comments have suggested that it may be too difficult to assemble and analyze the data. Given the systemic risk, the incremental cost to provide this information pales in comparison to the cost of an insurer liquidation.

Thanks for your consideration of my comments and the work that you do to protect consumers.

Yours truly,

*Peter Gould*