

Memo

To: Ben Slutsker, Chair, VM-22 (A) Subgroup

From: Tricia Matson, Partner

Date: August 24, 2022

Subject: RRC comments regarding the VM-22 Longevity Reinsurance Proposal

Background

The VM-22 (A) Subgroup exposed for comment a proposal for treatment of Longevity Reinsurance in VM-22. RRC appreciates the opportunity to offer our comments. Should you have any questions, we would be glad to discuss our comments with you and the VM-22 (A) Subgroup members.

RRC Comments

- We have the following general comments on the Considerations:
 - We generally agree with including separate, specific considerations for Longevity Reinsurance in VM-22 in light of its unique characteristics relative to many other products in the scope of VM-22.
- We have the following specific comments:
 - The use of a “k-factor” approach appears reasonable within the objectives of a statutory reporting framework.
 - In item A.1.a.i, we suggest including expenses (in addition to benefits) in the determination of the k factor.
 - In item A.1.f, we suggest clarifying that the “cash flows associated with any reinsurance” do not include the Longevity Reinsurance cash flows (since those are already covered in items a, c, and e.). Perhaps adding “to the extent not already included elsewhere” would address this.

We also suggest that the VM-22 (A) Subgroup consider whether there are other similar types of reinsurance that might warrant similar treatment, for example other non-proportional reinsurance agreements that may result in recognition of significant time 0 profits under the VM-22 framework. To the extent there are, it may make sense to apply a similar approach to those contracts.

Thank you for the opportunity to provide comments on this important initiative. I can be reached at tricia.matson@riskreg.com/(860) 305-0701 if you or other VM-22 Subgroup members have any questions.