

Memo

To: Rachel Hemphill, FSA, MAAA, FCAS, Life Actuarial Task Force

From: Ben Leiser, FSA, MAAA, Director, RRC
Jason Kehrberg, FSA, MAAA, Actuarial Director, RRC

Date: October 28, 2026

Subject: RRC Comments Regarding LATF's Actuarial Guideline 55 Guidance Document

Background

The Life Actuarial Task Force (LATF) is requesting comments on proposed changes to the year-end 2026 AAT for Reinsurance Actuarial Guideline ("AG55") Guidance Document and reporting templates. Per LATF's request for earlier comments, RRC provided prior comment letters in 2024 on September 19th, October 3rd, and October 11th and in 2025 on January 15th, February 28th and April 24th. This is a topical area of high interest to RRC based on our role serving insurance regulators.

RRC appreciates the opportunity to offer our comments. Should you have any questions, we would be glad to discuss our comments with you and Task Force members.

We appreciate the work LATF has undertaken to address what we believe is a critical industry issue, namely the significant use of reinsurance, including offshore reinsurance, to provide US insurers with material reserve and capital relief.

RRC has assisted regulators in reviewing a variety of reinsurance transactions that result in material reductions in the total asset requirement (TAR) backing the policyholder obligations. We understand that while these transactions are executed for a variety of appropriate business and financial strategies, we also believe that in some cases they can result in reserves or capital that are reduced to a level that raises questions about their appropriateness from a policyholder protection perspective.

As we have previously noted in our prior comments, we do not believe AG55 should mandate "disclosure only" as a sufficient solution to address potentially unsound reserving principles. We believe that if a transaction causes reserves to decline below a level that is needed to cover policyholder obligations under moderately adverse conditions, cash flow testing should be performed to determine if additional reserves are needed and **any such additional reserves should be held**. Since regulators have reviewed the 2025 AG55 submissions and are more familiar with the details underlying the transactions their domiciliary companies have in place, we believe a more rigorous standard would be appropriate. Under AG55 Section 5.B, which leaves the determination of whether additional reserves should be held to the appointed actuary (AA), the AA could disclose cash flow testing results that show a large reserve deficiency, but when considered alongside low counterparty (nonpayment) risk, decide not to hold any additional reserves. We understand that the regulator may override the AA's judgment in some cases, but since that is not required it may perpetuate the currently unlevel playing field (i.e. in which some state regulators may require additional reserves and others may not).

For this reason, we again suggest that LATF consider mandating the establishment of additional reserves when AAT shows a deficiency. We understand the necessity of reserve financing in certain cases, but we

don't believe that reinsurance transactions should reduce the total assets backing reserves below the level needed to pay claims under moderately adverse conditions.

We note that because the scope of AG55 is currently broad and may include treaties that are not the key source of concern, a requirement to hold additional reserves for every deficiency may be viewed as overly burdensome by the industry. Therefore, an alternative way to address that concern may be to mandate that the AAT deficiency be eliminated in situations for which there is a defined significant risk (consistent with the risks already identified in AG55 Section 4.B) such as a significant Reserve Decrease in relation to the Pre-reinsurance Reserve, a significant use of Guideline Excluded Assets to support reserves or potential for current or future collectability risk associated with the reinsurer.

Thank you for the opportunity to provide comments on this important topic. We can be reached at 201-870-7713/ben.leiser@riskreg.com or 847-769-1035/Jason.kehrberg@riskreg.com if you or other members have any questions.