



Brian Bayerle

Chief Life Actuary
202-624-2169

Hans Avery

Actuary
202-624-2012

Colin Masterson

Sr. Policy Analyst
202-624-2463

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Rachel Hemphill
Chair, NAIC Life Actuarial (A) Task Force (LATF)

Ben Slutsker
Chair, NAIC VM-22 (A) Subgroup

Re: APF 2025-16 Reinvestment Guardrail and PRT Reinvestment Guardrail Proposal Exposures

Dear Chairs Hemphill and Slutsker,

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide comments on the APF 2025-16 Reinvestment Guardrail and "PRT Reinvestment Guardrail Proposal" exposures.

ACLI supports principle-based approaches that align the calculation of liability reserves with the underlying risks. Revisiting the calibration of the required minimum credit quality in the reinvestment guardrail is a helpful step in that direction. Other actuarially appropriate considerations could include allowing illiquidity premiums where they align with the liquidity of liabilities, different treatment for nearer-term, more certain assumptions versus longer-term assumptions, liability sensitivity to interest rates, and reexamining the requirements for spreads and default rates.

In ACLI's view, both exposures have conceptual merit and warrant further discussion and analysis:

- APF 2025-16 would better align the Valuation Manual to the prudent investment-grade strategies used by many companies. As noted in the APF, ACLI members are actively working on real-world impact analysis of the proposed changes. Evaluating the results of this impact analysis is an important data point for finalizing the APF. We anticipate sharing results for VM-20 and VM-21 in January, and for VM-22 in early Q2.
- The PRT Reinvestment Guardrail proposal identifies legitimate differences in risk profiles between products and the assets backing those products. As noted in the exposure,

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considerations such as liquidity restrictions could justify differences in reserve requirements. However, group annuities backing pension risk transfer are not the only products with favorable liquidity risk characteristics. Some of the arguments supporting a separate PRT guardrail also apply to other liabilities including but not limited to certain types of term life insurance, immediate annuities, or structured settlements.

We thank LATF and the VM-22 (A) Subgroup for continuously refining the Valuation Manual and encourage regulators to continue developing both proposals. Aligning reserve requirements with the underlying risks makes pricing more efficient and fairer, which supports ACLI members' goal of providing certainty for Americans through all stages of life.

Sincerely,

Three handwritten signatures in blue ink. From left to right: 'B Barakli', 'H. Avery', and 'Colin Masterson'. The signatures are cursive and fluid.

cc: Scott O'Neal, NAIC; Amy Fitzpatrick, NAIC