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November 17, 2025

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

Re: October 2025 Request for Longevity Reinsurance C-2 Proposal and LR025-A

Dear Chair Eom:

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide additional commentary on the NAIC Longevity Risk (E/A) Subgroup's effort to develop Life Risk Based Capital Longevity Risk C-2 factor(s) for longevity reinsurance business. We would also like to take this time to thank regulators, NAIC staff, and other interested parties for the robust dialogue and proposals which have already been put forth and discussed at the October 9th Subgroup meeting.

As previously stated in our comments from September 15th, ACLI continues to support applying the C-2 factor to the present value of benefits, with an offset credit for future surplus not included in calculated statutory reserves. Specifically, our approach boils down to:

- C-2 capital = Max (0, A - B), where
  - A = C-2 factor * PV Benefits (or floating leg) (i.e., the Statement Value), and
  - B = PV Premiums + Fees (or fixed leg) not already used for reserving purposes (i.e., the Offset Credit, which should also include investment and expense considerations).

Accompanying this comment letter, ACLI has provided redlined edits to LR025-A and an illustrative spreadsheet demonstrating the calculation. If there are any questions about the materials we provided, please do not hesitate to reach out to ACLI staff.

Thank you all once again and we look forward to additional discussion soon.

Sincerely,

B Bayerle Colin Masterson

cc: Amy Fitzpatrick, NAIC

Longevity Risk (E/A) Subgroup Exposure 10/16/25:

Exposed for 30-day comment period ending November 14, 2025.

Please submit detailed proposals or any comments for approaches to developing Life Risk Based Capital Longevity Risk C-2 factor(s) for longevity reinsurance business. The Subgroup is seeking development of specific C-2 factor values with deep technical analysis.

Proposals should include as applicable to the approach:

- Detailed descriptions of how to calculate the value where the proposed C-2 factor will be applied, including how an offset credit for future surplus not included in calculated statutory reserves is reflected in the approach, if such descriptions are not provided in the proposal (e.g. present value of benefits, with an offset credit for future surplus not included in calculated statutory reserves, as proposed by American Council of Life Insurers or a principle-based TAR approach suggested by the American Academy of Actuaries) to be reported in a new line in LR025-A.
- A redline of LR025-A and the accompanying instructions to illustrate how the proposed approach would be reported. Add new lines and columns as applicable (see next three pages).
- For principle-based C-2 factors include a redline of LR025-A to show how the company should report the factor as well as how the final calculation of the longevity requirement amount should be performed since the factors will differ between longevity reinsurance and other in scope products.

Note: Other exhibits use LR025-A Lines 5, Column 2 values therefore any structural changes to LR025-A may require non-structural changes to the following:

- LR030, CALCULATION OF TAX EFFECT FOR LIFE AND FRATERNAL RISK-BASED CAPITAL – Line 138b Longevity C-2 Risk, Source column
- LR031, CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL – Line 48b Longevity Risk, Source column

		Annual Statement Source	(1) Statement Value		Factor		(2) Requirement
	Life Contingent Annuity Reserves Excluding Longevity Reinsurance						
(1)	General Account Life Contingent Annuity Reserves	Exhibit 5 Column 2 Line 0299999, in part‡	$0				
(2)	General Account Life Contingent Supplemental Contract Reserves	Exhibit 5 Column 2 Line 0399999, in part‡	$0				
(3)	General Account Life Contingent Miscellaneous Reserves	Exhibit 5 Column 2 Line 0799999, in part‡	$0				
(4)	Separate Account (SA) Life Contingent Annuity Reserves	S/A Exhibit 3 Column 2 Line 0299999, in part‡	$0				
(5)	Total Life Contingent Annuity Reserves Excluding Longevity Reinsurance	Lines (1) + (2) + (3) + (4)	$0	X	†	=	$0
			========				==========
	Longevity Reinsurance						
(6)	Present Value of Longevity Reinsurance Benefits	Company Records (enter a pre-tax amount)	$0	X	†		$0
(7)	Reduction in RBC for ~~Cash Flow Components in Excess of Benefits~~Discounted Accumulated Sufficiency	Company Records (enter a pre-tax amount)					$0
(8)	Total Longevity Reinsurance	If Line (6) > Line (7), then Line (6) - Line (7), else 0					$0
(9)	Total Life Contingent Annuity Reserves	Lines (5) + (8)					$0

† The tiered calculation is illustrated in the Longevity Risk section of the risk-based capital instructions.

‡ Include only the portion of reserves for products in scope per the instructions

Denotes items that must be manually entered on the filing software.

LR025-A LONGEVITY RISK

- LR030, CALCULATION OF TAX EFFECT FOR LIFE AND FRATERNAL RISK-BASED CAPITAL – Line 138b Longevity C-2 Risk, Source column

		Source	RBC Amount	Tax Factor	RBC Tax Effect
(138b)	Longevity C-2 Risk	LR025-A Longevity Risk Column (2) Line (~~9~~5)		0.2100	

- LR031, CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL – Line 48b Longevity Risk, Source column

		Source	RBC Requirement
(48b)	Longevity C-2 Risk	LR025-A Longevity Risk Column (2) Line (~~9~~5)	

LONGEVITY RISK

LR025-A

Basis of Factors

The factors chosen represent surplus needed to provide for claims in excess of reserves resulting from increased policyholder longevity calibrated to a 95th percentile level. For the purpose of this calibration aggregate reserves were assumed to provide for an 85th percentile outcome.

Longevity risk was considered over the entire lifetime of the policies since these annuity policies are generally not subject to repricing. Calibration of longevity risk considered both trend risk based on uncertainty in future population mortality improvements, as well as level or volatility risk which derives from misestimation of current population mortality rates or random fluctuations. Trend risk applies equally to all populations whereas level and volatility risk factors decrease with larger portfolios consistent with the law of large numbers.

Except for longevity reinsurance, ~~S~~statutory reserve was chosen as the exposure base as a consistent measure of the economic exposure to increased longevity. Factors were also scaled by reserve level since number of insured policyholders is a less accessible measure of company specific volatility risk. Factors provided are pre-tax and were developed assuming a 21% tax adjustment would be subsequently applied.

For longevity reinsurance, the present value of benefits offers a more consistent measure of risk exposure than statutory reserves. The excess of the remainder of the cash flows (premiums, fees, investment income, and expenses) exceeding benefits should be considered as offsets to the charge when these items are not reflected elsewhere in the statutory reserve framework. Specifically, for longevity reinsurance under Principle-Based Reserving (PBR), the reduction in RBC equals the greater of the negative of the unfloored calculated reserve and 0. For longevity reinsurance not under PBR, the reduction in RBC should be the excess of the aforementioned cash flows over benefits using the company's Cash Flow Testing model on a standalone basis.

Specific Instructions for Application of the Formula

Excluding longevity reinsurance, a~~A~~nnual statement reference is for the total reserve for the products in scope. The scope includes annuity products with life contingent payments where benefits are to be distributed in the form of an annuity. The entire reserve amount for contracts in scope that include any life contingent payments are in scope. For example, under a certain-and-life style annuity, the entire reserve for both the certain payments and life contingent payments are in scope. Variable immediate annuity reserves under VM-21 are also in scope where there are life contingent payments. Scope does not include annuity products that are not life contingent, or deferred annuity products where the policyholder has a right but not an obligation to annuitize. A certain-and-life style annuity, where only certain payments remain (such as following the death of the annuitant), is out of scope. Variable deferred annuity contract reserves under VM-21 are out of scope, including reserves valued under VM-21 for any contracts where policyholder account value has reached zero, but a lifetime benefit may still be payable by the insurer. Line (3) for General Account Life Contingent Miscellaneous reserves is included in the event there are any reserves for products in scope reported on Exhibit 5 line 0799999; it is not meant to include cash flow testing reserves reported on this line. Included in scope are:

- Single Premium Immediate Annuities (SPIA) and other payout annuities in pay status
- Deferred Income Annuities which will enter annuity pay status in the future
- Structured Settlements for annuitants with any life contingent benefits
- Group Annuities, such as those associated with pension liabilities with both immediate and deferred benefits

The total reserve exposure is then further broken down by size as in a tax table. This breakdown will not appear on the RBC filing software or on the printed copy, as the application of factors to reserves is completed automatically. The calculation is as follows:

		(1)		(2)
Line (5)	Life Contingent Annuity Reserves Excluding Longevity Reinsurance	Statement Value	Factor	RBC Requirement
	First 250 Million	_____	X 0.0171 =	_____
	Next 250 Million	_____	X 0.0108 =	_____
	Next 500 Million	_____	X 0.0095 =	_____
	Over 1,000 Million	_____	X 0.0089 =	_____

Total Life Contingent Annuity Reserves Excluding Longevity Reinsurance		

For Longevity Reinsurance, the company modeling of benefits is the basis for the statement value. Specifically, the statement value should be the present value of benefits from an appropriate model. For longevity reinsurance that is being reserved under PBR, the present value of benefits should come from their PBR model. For longevity reinsurance that is not being reserved under PBR, the company should use their Cash Flow Testing model.

The present value of benefits exposure is then further broken down by size as in a tax table. This breakdown will not appear on the RBC filing software or on the printed copy, as the application of factors to present value of benefits is completed automatically. The calculation is as follows:

Line (6)	Present Value of Longevity Reinsurance Benefits~~Longevity Reinsurance~~	Statement Value	Factor	RBC Requirement
	First 250 Million		X 0.0171 =	
	Next 250 Million		X 0.0108 =	
	Next 500 Million		X 0.0095 =	
	Over 1,000 Million		X 0.0089 =	
	Present Value of Longevity Reinsurance Benefits~~Total Life Contingent Annuity Reserves Excluding Longevity Reinsurance~~			

Line (7)

There is a reduction in RBC for the discounted accumulated sufficiency at the end of the projection to the valuation date ~~excess of the~~reflecting the remainder of the cash flows (premiums, fees, investment income, ~~and~~ less benefits and expenses)~~ exceeding benefits that are not reflected elsewhere in the statutory reserve framework~~. For longevity reinsurance that is being reserved under PBR, the present value of premiums, fees, investment income, less benefits and expenses should come from the company's PBR model; this should result in the reduction in RBC equaling the greater of the negative of the unfloored calculated reserve and 0.

For longevity reinsurance that is not being reserved under PBR, the present value of premiums, fees, investment income, less benefits and expenses should come from the company's Cash Flow Testing model~~ to the extent those cash flows are not supporting the sufficiency of the testing~~. The reduction in RBC should be the excess of the aforementioned cash flows over benefits using the company's Cash Flow Testing model on a standalone basis.

The amount ultimately included in the authorized control level will be subject to a guardrail factor of 0_and a correlation factor of -.25.