May 2, 2022

Mr. Mike Boerner
Chair, NAIC Life Actuarial Task Force (LATF)

Mr. Fred Andersen
Chief Life Actuary, Minnesota Department of Commerce

via email to Reggie Mazyck rmazyck@naic.org

Re: March Exposure of Actuarial Guideline Asset Adequacy Testing

Dear Messrs. Boerner and Andersen:

The Transamerica Companies welcome the opportunity to comment on the March 31st exposure of Actuarial Guideline on Asset Adequacy Testing (Guideline). We support efforts to address unduly aggressive AAT asset modeling practices. Our comments are limited to the scope of companies subject to the Guideline.

According to Section 2 of the exposure, the Actuarial Guideline is applicable to all life insurers with:

A. *Over $5 billion of general account actuarial reserves (from Exhibits 5, 6, 7, and 8 of the annual statement)* *[emphasis added] or*
B. *Over $500 million of general account actuarial reserves (from Exhibits 5, 6, 7, and 8 of the annual statement) and over 5% of supporting assets (selected for asset adequacy analysis) in the category of Projected High Net Yield Assets, as defined in Section 3.C.*

We have a concern that Section 2.A scopes in all life insurers with over $5 billion of reserves, regardless of whether they make *material use* of Projected High Net Yield Assets in AAT. In the extreme, the Guideline would subject a large insurer that models a single, small Projected High Net Yield Asset to a variety of company-wide reporting, documentation, and sensitivity requirements.

To address this anomaly, we recommend **eliminating Section 2.A, leaving Section 2.B to define the scope.** Using Section 2.B alone creates a risk focused approach, as it addresses the *material use* of certain assets within AAT. Moreover, using Section 2.B alone would align the Guideline with Actuarial Guideline 51. AG51 applies extra AAT requirements only to insurers with more than 10,000 in-force long-term care policies, not to all large insurers regardless of the size of their LTC blocks.

We understand that regulators want sufficient industry information to identify assumption outliers. We suggest this still would be possible if the Guideline were applicable only to those insurers that make *material use* of Projected Net High Yield Assets.

Lastly, if the scope were limited to Section 2.B, companies with more than $500 million of assets will still need to assess their AAT asset mix in relation to the 5% materiality threshold. We can support a requirement to provide a materiality demonstration to regulators. Considering the potential transitory nature of the Guideline, however, we are unsure whether this can be placed within the Guideline, whether this should be within VM-31, or whether it is best left to domestic regulators to request a demonstration, at least for now.

We hope the Task Force finds our comments helpful.

Bill Schwegler
Senior Director, Financial Policy
(319) 355-2667
bill.schwegler@transamerica.com

cc: Mike Yanacheak, Iowa Insurance Division