TO: Members, Interested Regulators and Interested Parties of the Longevity Risk (A/E) Subgroup

FROM: Rhonda Ahrens (NE), Chair, Longevity Risk (A/E) Subgroup

DATE: March 25, 2019

RE: Comments Requested on Proposed Approach to Address Longevity Risk

The Longevity Risk (A/E) Subgroup is interested in feedback around the following specific questions as well as any other merits or concerns about the American Academy of Actuaries’ (Academy) proposed approach to incorporating a longevity risk charge in the life risk-based capital formula:

1. Is the Academy’s proposed approach appropriate if the covariance factor with mortality is not adopted?

2. Would it be feasible to adopt or consider an adjustment to the C-2 factors presented based on the potential that some issue years of past business have reserves that may not meet the 85th percentile risk coverage assumed by the Academy field study?

3. Are the break points in the proposed approach appropriate and should they have been based on a proxy for size of individual exposure rather than an assumption of number of deaths through an average size of 50,000?

4. These factors could be adopted in 2019 (or early in 2020 at the latest) and be effective for all inforce business as of 2020 year-end. To the extent C-2 factors are needed sooner rather than later for the current longevity risk exposure which currently has no C-2 factor, what are the merits of fine tuning this proposed approach versus contemplating a maintenance plan every 5 years in order to address whether these factors continue to be appropriate and whether new product innovation needs to additionally be addressed?