



November 14, 2025

Seong-min Eom, Chair,
Longevity Risk (E/A) Subgroup
National Association of Insurance Commissioners

Re: Request for Longevity Reinsurance C2 Proposal and LR025-A redline.docx

Dear Chair Eom:

On behalf of the Longevity Risk Task Force (the Task Force) of the American Academy of Actuaries,¹ I am sharing some feedback regarding a framework for the RBC C-2 charge for longevity reinsurance.

Product Background

Longevity reinsurance transactions are structured agreements between ceding companies and assuming companies designed to transfer the risk associated with annuitants living longer than expected.

These contracts typically include fixed premiums and fees, based on a mortality basis specified in the contract. These fixed premiums and fees *do not vary* with the survival experience of annuitants. The longevity benefits (the “floating” leg) under these transactions, depend on the actual survival experience of the covered annuitants. As more annuitants live beyond projected life expectancies, the reinsurer’s obligation to pay benefits extends beyond original expectations.

For many of these contracts, the fixed premiums and fees are larger than the payable longevity benefits, especially in the early years of the contract. This sufficiency can result in a portion of the fixed premiums and fees not being recognized in reserves.

Academy’s Proposal

Following up from the Academy’s letter sent on September 15, 2025, and reviewing the proposals from Minnesota, New Jersey, and the ACLI, the LRTF proposes a principle-based Total Asset Requirement (TAR) approach to determining the C-2 Longevity Reinsurance capital charge, which will be discussed below. Our proposal discusses two items, 1) structure of the capital charge and 2) calibration of longevity shock. Due to the tight timeframe, we prioritized the structure of the capital charge. We are unable to recommend a specific calibration of longevity shocks and will be happy to discuss calibration at a future date.

1. *Structure of the capital charge:* The LRTF recommends a principle-based approach where the total required assets (i.e., the TAR) required to support liabilities under an

¹ The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 60 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

appropriate stress scenario is determined, and the capital charge is calculated to be the excess of the TAR over the reserves, subject to a floor of zero.

We propose the following structure for a TAR-based framework:

- Project future premiums & reinsurance fees
 - Project future benefits and expenses using a mortality shock appropriately calibrated
 - Calculate TAR as present value of shocked future benefits and expenses minus present value of premiums & fees
 - C-2 for Longevity Reinsurance risk = maximum {TAR – Statutory Reserve, 0}
 - Companies would be required to perform this calculation on an annual basis to determine the capital amount
2. *Calibration of longevity risk shock:* An appropriate stress scenario should follow the same principles as the stresses developed for current C-2 Longevity. Those principles are 1) calibrating shocks to 95th percentile relative to 85th percentile (standard for reserves) and 2) independence of mortality improvement and mortality level shocks. Further analysis would be needed before providing any additional recommendations on matters including the appropriateness of applying the existing mortality improvement and mortality shocks to longevity reinsurance and/or whether these same shocks would or would not be appropriate for contracts covering non-U.S. lives.

If there are any questions or if the Subgroup would like to discuss these comments or the example further, please contact [Amanda Barry-Moilanen](mailto:barrymoilanen@actuary.org), the Academy's life policy project manager (barrymoilanen@actuary.org).

Sincerely,

Linda Lankowski, MAAA, FSA
Chairperson, Longevity Risk Task Force
American Academy of Actuaries