GRAEME GROUP

November 2, 2026

Ms. Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Submitted by email to rule-comments@sec.gov

Re: Statement on Reforming Regulation S-K (File Number CLL-15); Semiannual Reporting (File Number S7-2026-15)

Dear Ms. Countryman:

Graeme Group LLC appreciates the opportunity to comment on the Commission's review of Regulation S-K. We are an actuarial consulting firm that performs independent validation of the reserve models behind U.S. GAAP and statutory financial statements of life, annuity and long-term care insurers, and we supply valuation actuaries to insurers and audit firms. Our comments are limited to the part of Regulation S-K where an actuary has something to add: Item 303(b)(3), critical accounting estimates, as applied to insurance registrants.

For an insurer, the critical accounting estimate is the reserve. Reserves for long-duration contracts are the output of models that project decades of mortality, lapse, morbidity and interest, and small changes in those assumptions move reported equity and earnings materially. We support the Chairman's objective of refocusing disclosure on what a reasonable investor needs. In our experience, current critical accounting estimate disclosure by insurers is long and uninformative: it describes the assumptions in words and says little about how sensitive the reported amounts are to them, whether they changed, or whether the models that produce them have been tested. We recommend four targeted changes that would shorten this disclosure while making it decision-useful, and one point on the semiannual reporting proposal.

1. A standard sensitivity table for material reserve assumptions

Item 303(b)(3) already asks registrants to disclose, where material and reasonably available, the sensitivity of reported amounts to the methods and assumptions underlying a critical accounting estimate. Insurers generally answer this in narrative, and the answers are not comparable across registrants. KPMG has surveyed insurance analysts and rating agencies on the long-duration targeted improvements (LDTI) standard every year since 2020. In each year, including the 2023 survey taken after the first adopters reported under LDTI, the disclosure most cited was sensitivity of results to changes in key assumptions on a standardized basis, and in 2023 almost every respondent still asked for normalized measures to compare insurers. The staff's own 2025 comment letters continue to ask registrants for quantified sensitivity under Item 303(b)(3), which shows the gap has not closed. We recommend that

the Commission state, through rule text or staff guidance, that for registrants with long-duration insurance contracts the sensitivity disclosure should be presented as a short table showing the effect on the reported liability and on pre-tax income of a stated change in each of the two or three assumptions management identifies as material, presented in the same format each year. This replaces pages of narrative with a half page of numbers that investors can compare.

2. Separate the effect of assumption updates from model and methodology changes

LDTI requires disaggregated rollforwards of the liability for future policy benefits, but a rollforward shows balances, not causes. In published validation experience across the industry, the recurring sources of reserve movement that are not driven by experience include model methodology that does not match the stated accounting policy, assumptions that were not refreshed to current best estimate, and omitted cash-flow components. The American Academy of Actuaries' May 2025 agenda request to the FASB also identified areas, including deferred acquisition cost amortization and the prescribed discount rate for payout annuities, where the standard's mechanics move reported results for reasons unrelated to experience. Investors cannot distinguish an assumption update from a model correction when both are described as a change in estimate. We recommend that, where material, the critical accounting estimate disclosure state in one line each the effect of (a) assumption updates and (b) model or methodology changes on the reported liability for the period.

3. One sentence on model validation

Insurers are already expected to validate material reserve models: the NAIC Valuation Manual requires governance over principle-based reserve models (VM-G) and documentation of their validation (VM-31), and the Own Risk and Solvency Assessment framework requires insurers to assess the models behind their risk and capital figures. The National Association of Insurance Commissioners' 2022 review of principle-based reserve filings found that in many instances companies did not understand their own reserve results and were unable to explain them to regulators. Investors have no visibility of whether a registrant's reserve models have been independently validated or whether material findings remain open. We recommend a principles-based statement, one or two sentences, within the critical accounting estimate disclosure, of whether the models producing material reserve estimates are subject to independent validation and whether any material validation finding was open at the balance sheet date. This discloses work that already exists; it creates no new obligation to perform it.

4. Artificial intelligence in reserve estimation

Insurers are beginning to use machine learning and generative AI in experience studies, assumption setting and model review. Where such tools materially contribute to a critical accounting estimate, investors should know that, and should know what control sits over it. An August 2026 study by MIT FutureTech with the Society of Actuaries, based on interviews with senior actuarial leaders, identified governance failure, lack of transparency and model failures including hallucinations as the leading AI risks for the profession. The NAIC's 2023 model bulletin on insurers' use of artificial intelligence, adopted by about half the states, requires a governance program over AI systems, and the federal banking agencies' April 2026 revised model risk guidance (SR 26-2) explicitly places generative AI outside its scope, so investors in insurers have no comparable public disclosure of how AI-assisted estimates are controlled. We recommend that the Commission confirm, through guidance, that the Item 303(b)(3) discussion of methods and assumptions includes any material reliance on AI or machine learning,

together with a brief description of the independent review applied. This is materiality-gated and does not favor or discourage the use of AI.

5. Semiannual reporting and long-duration insurers (File Number S7-2026-15)

We support flexibility in interim reporting frequency. We note one consequence for insurers, responding to questions 14, 28 and 30 of the proposing release. Most life insurers update their long-duration assumptions once a year, typically in the third quarter, and that update is usually the largest single driver of reserve movement for the year. Under a semiannual Form 10-S the update would be absorbed into a six-month period with no separate visibility. We recommend that Form 10-S require registrants with long-duration insurance contracts to disclose the effect of the periodic assumption update in the interim report covering the period in which it occurred, and that the Commission adopt the second-half breakout contemplated in question 30 for such registrants.

Each recommendation above shortens what insurers currently write while giving investors the three facts that determine the reliability of a reserve: how sensitive it is, why it moved, and whether it has been tested. We would be pleased to discuss any of these points with the staff or to provide illustrative disclosure.

Respectfully submitted,

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