

**Brian Bayerle**

Chief Life Actuary

202-624-2169

[BrianBayerle@accli.com](mailto:BrianBayerle@accli.com)

**Colin Masterson**

Policy Analyst

202-624-2463

[ColinMasterson@accli.com](mailto:ColinMasterson@accli.com)

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Ben Slutsker

Chair, NAIC Valuation Manual (VM)-22 (A) Subgroup (Subgroup)

Re: November 2023 VM-22 Subgroup Exposures

Dear Chair Slutsker:

The American Council of Life Insurers (ACLI) appreciates the opportunity to submit comments on the three exposures that were released by the Subgroup in November 2023: the VM-22 PBR Supplemental Blank proposal, the VM-31 proposal for Non-Variable Annuities, and the VM-G proposal for Non-Variable Annuities. ACLI is supportive of the direction of the proposed changes listed in the exposures and welcomes their adoption at a future VM-22 Subgroup meeting.

Before adoption, we have several suggestions and questions regarding the VM-22, VM-31, and VM-G proposals that we would like addressed prior to adoption. Our feedback is below.

**VM-22 Supplemental Blank:**

- For Parts 1A and 1B the lines 1.3 and 3.3 contain immediate annuities, deferred annuities and annuitizations, so these lines contain reserves from both reserve categories. It may make more sense to split lines 1.3 and 3.3 by reserve category.
- Are the categories intended to be the minimum amount of aggregation allowed by VM-22? If not, we wonder if there would be potential difficulty splitting aggregate SR and standard projection for categories in the same runs.
- In part 1B, should regulators be asking for additional standard projection amount instead of standard projection amount?

**VM-31 for Non-Variable Annuities:**

- The first paragraph under Section 1, Purpose should state: “The purpose of this section is to establish the minimum reporting requirements for policies or contracts subject to a principle-based valuation according to the methods defined in VM-20, ~~and~~ VM-21 and VM-22.”.
- Should Policy Loans also be included under Assets in Annuity Report?
- VM-31 should have a separate Summary/Report for each VM chapter. That way, the information can be tailored to the specific requirements and avoid confusion when trying to combine two different sets of requirements.
  - VM-31 already follows that approach by separating the VM-20 and VM-21 requirements into the Life Summary/Report and the VA Summary/Report. Therefore, ACLI thinks regulators should add a Non-VA Annuity Summary/Report to address VM-22, not try to combine it with VA as proposed.
- The combination results in often confusing wording to cite both VM chapters rather than tailoring the guidance to one or the other. The ambiguity heightens when considering concepts that exist in one chapter but not the other (e.g., VM-22 exclusion tests, VM-21 Alternative Methodology). ACLI realizes the proposal requires a separate sub-report for each chapter at a minimum, but this is all the more reason to tailor the report structure to the individual chapters, not combine the requirement guidance. Even in the Summary, the edits basically list comments from both chapters side-by-side because there is not a seamless way.
- The appropriate place to consolidate the business is in the Executive Summary of the report.
  - We believe that separating VM-21 and VM-22 reporting requirements in VM-31 will make updating the PBR Actuarial Report easier for practitioners and more useful for regulators (because the focus is very specific to the chapter in question).

#### **VM-G for Non-Variable Annuities:**

- ACLI does not believe that Section 4.A.3.b is necessary.
  - The Alternative Methodology may be used for contracts with no guaranteed benefits or GMDB only.
  - The only way a company would be required to cease using this approach is to issue contracts with GLB's, in which case the reserving implications should have been discussed much earlier in the product development and filing processes.
  - It also means that the company has not “met the requirements to be exempt from Section 2 and Section 3 as outlined in Section 1.A” so technically the new guidance does not apply.

Thank you once again for the opportunity to submit our comments and we look forward to continued dialogue with regulators as the VM-22 development project continues to unfold.

Sincerely,

 Colin Masterson

cc: Scott O'Neal, NAIC