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

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

Re: 2025 VM-22 Subgroup Amendment Proposal Forms (APFs 2025-18, 2025-19, and 2025-20)

Dear Chair Slutsker and Vice Chair Lam:

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide feedback on the Subgroup's recent exposure of draft APFs 2025-18 (Deposit-Type Contracts), 2025-19 (Settlement Options), and 2025-20 (Aggregation). ACLI generally supports these amendments and offers the following comments.

ACLI strongly supports the edits proposed in APF 2025-18, which are aimed at clarifying the scope of Deposit-Type Contracts within the 2026 VM-22 framework.

We are appreciative of the changes proposed in APF 2025-19. However, additional clarifications are needed to better address the operational realities of settlement options, including:

- **Greater flexibility in applying the election** - regulators should consider allowing companies to apply the election at a targeted administrative block level, rather than requiring uniform application across all contracts, options, and payment streams as currently drafted. The current approach does not allow companies to apply different methodologies across separately administered blocks, which may not reflect how settlement options are managed in practice. Allowing more targeted application would provide operational flexibility for immaterial or separately administered blocks, as settlement options are often small and not integrated into companies' broader annuity valuation systems.
- **Consideration of post-2026 settlement options** - regulators should consider how settlement options that emerge after 2026 will be treated. Settlement options are sometimes administered separately from the host contract (e.g., life insurance policy). In these cases, performing a PBR calculation is often unnecessary given the fixed cash flows, limited optionality, and overall immateriality of the block. Additionally, where the host contract (such as GICs) remains outside

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the scope of VM-22 PBR, it would not be appropriate for the settlement option to be subject to PBR while the underlying contract continues to follow a pre-PBR methodology.

- **Recommend changing "approval" to "notification"** - with the understanding that the commissioner always can review the selection of the prescribed method for the determination of the reserve.

More broadly, ACLI appreciates the Subgroup's recognition that aggregation is an appropriate framework for VM-22. Allowing aggregation across reserving categories better reflects how these products are managed and modeled in practice and avoids unnecessary complexity that can arise from evaluating them in isolation.

Finally, and consistent with our other letter, ACLI would also like to stress that whatever decisions are made regarding VM-22 scope needs to consider how any potential changes would interact with other ongoing efforts such as the inforce application of VM-22 requirements.

Thank you once again for the opportunity to provide this commentary and we look forward to additional discussion soon at the Subgroup and Life Actuarial (A) Task Force level.

As a final note, ACLI's feedback on the other items exposed at the same time as these APFs (i.e., the VM-22 Inforce Questions and Scope Questions) will be provided in separate comment letters.

Sincerely,

A handwritten signature in cursive script that reads "Colin Masterson". The signature is written in dark ink and is positioned to the right of a large, stylized initial "B" that appears to be part of the signature or a separate mark.

cc: Amy Fitzpatrick, NAIC