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Peter Weber
Chair, NAIC Variable Annuities Capital and Reserve (E/A) Subgroup

Re: Draft Additions to the Variable Annuities Supplement in the Annual Statement

Dear Chair Weber,

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide feedback on the Subgroup's exposure of Draft Additions to the Variable Annuities Supplement in the Annual Statement. Following the structure of the exposure, our comments are organized below into general feedback, feedback on the categories listed at the beginning of the document, then feedback on the specific questions listed.

*General Feedback:*

ACLI does not have concerns about splitting the following out by different product types: Reported Reserve in Excess of CSV (Current Year, Prior Year), CSV, Stochastic Reserve, and Number of Contracts. For the other fields listed in the proposed VM-22 supplement, we do have concerns that these fields would be difficult to split out by various product types as they are determined at a more aggregate level. It may be possible to use an approximation to break them out at a more granular level, but that would require additional set up and testing to ensure a reasonable result could be obtained. These fields include the Prescribed (Standard) Projection Amount, Additional Standard Projection Amount, Buffer Amount, and CTE70 (adjusted)

It would also be helpful if regulators could clarify the intention of splitting the categories by accumulation and withdrawal phases as this practice would not be consistent with the current VM-22 splits.

*Feedback on Categories:*

We have one minor edit to the VA supplement. We suggest the below revision to item 6 in the "Rows in Part 3A and 3B are the following Product Categories", as there is no place to put Hybrid GMIBs that are in withdrawal phase in the current list.

- 6. Variable Annuities with GMWBs and Hybrid GMIBs in withdrawal phase

Additionally for item 6 above and item 5 (Variable Annuities with GMWBs and GMIBs in accumulation phase), we believe these would benefit from clear definitions of "accumulation phase" and "withdrawal phase" because they are not mutually exclusive considerations. For example, "accumulation phase" could refer to any variable deferred annuity contracts with non-zero account value that (A) have started taking withdrawals and "withdrawal phase" could refer to (B) contracts with non-zero account value that have begun taking withdrawals. This overlap between transaction types A and B could be potentially confusing for reporting companies and regulators alike.

We also do not see a category called "Index-Linked Variable Annuities with GMDB only". It's not clear to us where these types of contracts should go – i.e. should these be included with the Variable Annuities with GMDB Only category or the Aggregate Write in for other Products category?

*Question 1:*

We believe that supplemental exhibits can ask for re-organizations or splits of existing data, but they should not require a company to complete additional calculations. Most of the calculations in VM-21 are defined in aggregate: aggregate reserve, SR, CTE70 (adjusted), CTE70 (best efforts), Prescribed Projections Amount, additional standard projection amount, etc. While VM-21 provides guidance on allocation to the contract level, this guidance applies only to the aggregate reserve, not to each individual component of the aggregate calculation. We believe that it is acceptable for the VA Supplement to request the allocated reserves split by product category or to request the aggregate components of VM-21, but it is not sensible to request allocations of aggregate components other than the aggregate reserve by product category. If such calculations are necessary, we believe guidance on that approach should be provided in VM-21, where all other reserve-related calculations are defined, not in the VA Supplement. We do wish to note that the aggregate components of VM-21 are already available in the PBR Actuarial Report, and that caution should be exercised when attempting to evaluate product categories that are more granular than the underlying principle-based calculation, given the dependence of the reported reserves on the allocation methodology.

*Question 2:*

ACLI does not believe that a split of products between tax qualified and non-qualified would create any meaningful insights for regulators and for contracts like Simple 403(b)'s, the split may be difficult to perform for certain companies. However, should there be adequate data to perform such a task, ACLI would support an optional split being available for companies provided they make a consistent determination year after year for tax purposes, similar to the provisions within the adopted 2025 Valuation Manual changes that will allow the use of jumbo rates for non-jumbo contracts with commissioner approval in VM-22.

Thank you once again for the consideration of our comments and we look forward to continued discussions at a future Subgroup meeting.

Sincerely,

Colin Masterson

cc: Jane Ren, NAIC