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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: The VM-22 (A) Subgroup February 2025 Re-Exposure of Standard Projection Amount Policyholder Behavior Assumptions

Dear Chair Slutsker and Vice Chair Lam:

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide additional feedback on the Standard Projection Amount (SPA) Policyholder Assumptions that are to be considered as a part of the new VM-22 framework for non-variable/fixed annuities.

We appreciate the Subgroup's decision to include the SPA as a disclosure item in the next draft as it retains regulators' ability to identify outliers while promoting hedging to reduce non-economic volatility. The disclosure approach also eases the pressure of getting assumptions like policyholder behavior assumptions "perfect" and leaves room for a less prescriptive approach and flexibility during the transition period.

With this context, and building off our February 14th letter, we offer the following feedback:

- Market Rate Lapse Formula: The formula includes "pricing spread", but then there's a note that pricing spread = 0% since it is already reflected in credit spread. If it truly 0% across the board, ACLI would suggest removing it from the formula unless it is meant as a placeholder within the framework for changes that could occur in the future.
- ACLI also does not have any further comments on the topic of Varying Assumptions by Distribution Channel and is supportive of the current exposure draft's suggestion for using company assumptions for the Guaranteed Living Benefit Utilization.

- During the last discussion of this topic at the Subgroup, ACLI received questions from regulators related to our previous comments on the topic of Full Surrenders. Specifically, Vice Chair Lam stated that while she agreed with our proposed math, she asked if we had any suggested alternatives to the formula. While we had some discussion on ways to cap the maximum lapse adjustment, we feel that more data will need to be available to justify any such factor. As such, we believe this is something that should be revisited when more data is available, such as through some SOA and LIMRA experience data collection projects underway. This further reinforces the need for the SPA to be disclosure only.
- We do note that the MVA adjustment in the full surrenders formula is 0 when the MVA is in effect, meaning that the formula would not vary despite evidence supporting market rates' impact on lapses in the surrender charge period.

Thank you once again for the consideration of our comments and we look forward to additional discussion on this topic at the Subgroup after the 2025 NAIC Spring National Meeting in Indianapolis.

Sincerely,

B Bayerli Colin Masterson

cc: Amy Fitzpatrick, NAIC