

American Academy of Actuaries ARCWG Proposal
re: SPIA Benchmark to Allow
Use of pre-PBR Valuation Without an Exclusion Test

VM-22 7.A.1.d

- d. A company not eligible for the Annuity PBR Exemption described in VM Section II 2.E may nevertheless elect to automatically exclude one or more groups of contracts from the stochastic reserve calculation without passing or performing the stochastic exclusion test (SET) if all of the following are met for all contracts in the group or groups:
- i. All of the contracts are either:
 - a. Single Premium Immediate Annuities;
 - b. Deferred Income Annuities;
 - c. Fixed payout annuities resulting from the exercise of settlement options or annuitizations of host contracts;
 - d. Supplementary contracts (such as retained asset accounts and settlements at interest);
 - e. Fixed income payment streams attributable to guaranteed living benefits associated with deferred annuity contracts once the underlying funds are exhausted;
 - f. Term Certain Payout Annuities; or
 - g. Structured Settlement Contracts
 - ii. None of the contracts are pension risk transfer annuities (PRT), or are covered under a longevity reinsurance agreement;
 - iii. Future scheduled payout benefit amounts are either level or stay within 5% of the initial payout benefit amount over time;
 - iv. There is either no or an immaterial level of policyholder options permitted within the contracts; and
 - v. The company has less than [\$X] of SPIA Exemption Reserves, and if the company is a member of an NAIC group that includes other life insurance companies, the group has combined SPIA Exemption Reserves of less than [\$Y] billion.
 1. SPIA Exemption reserves are determined as follows:
 - a. The amount reported in the prior calendar year life/health annual statement, Analysis of Increase in Reserves During the Year-Individual Annuities, Column 6 (“Life Contingent Payout (Immediate and Annuitizations)”), line 15; plus

- b. The amount reported in the prior calendar year life/health annual statement, Analysis of Increase in Reserves During the Year-Group Annuities, Column 6 (“Life Contingent Payout (Immediate and Annuityizations)”), line 15.
- vi. If a group of contracts that satisfies the criteria of 7.A.1.d.i to 7.A.1.d.v above for the current valuation year had been valued using the SR of VM-22 for the prior year-end, the company must continue to value the contracts under the SR requirements of VM-22 unless the domiciliary commissioner grants permission to value the contracts under VM-A, VM-C, and VM-V.