



March 26, 2025

Mr. Ben Slutsker, Chair
Valuation Manual (VM)-22 (A) Subgroup, Life Actuarial (A) Task Force (LATF)
National Association of Insurance Commissioners (NAIC)

Re: Comments on the recently exposed SPA Policyholder Behavior Assumptions Re-Exposure

Dear Chair Slutsker,

On behalf of the Annuity Reserves and Capital Subcommittee (Subcommittee) of the American Academy of Actuaries,¹ I appreciate the opportunity to comment on the February 26 re-exposure of SPA policyholder behavior assumptions in VM-22 Section 6.C (Exposure) and am pleased to provide the following comments.

The Subcommittee has no further comments on the parameters for GLB Utilization. However, the Subcommittee has a couple of clarifications for the VM-22 Subgroup (Subgroup) to consider. The Subcommittee recommends that the SPA assumption operate as a floor, as we believe the intention is meant to prevent large cohorts with GLBs from never utilizing the benefit, and that the company should be using a *prudent* best estimate for utilization, consistent with what was used for the stochastic reserve.

Additionally, a guidance note may be helpful to clarify how this guardrail would be applied in practice. A slight tweak to the language along with a potential guidance note that could follow the section is:

c. For contracts in the Accumulation Reserving Category with a guaranteed living benefit, partial withdrawals shall be projected to commence pursuant to the **prudent** best estimate assumption of the company, with additional requirements as defined in subsections i and ii below. Once guaranteed living benefit withdrawals are projected to commence, the partial withdrawal amount shall be, for a lifetime guarantee, 100% of the guaranteed maximum annual withdrawal amount each year until the contract account value reaches zero, or for a non-lifetime guarantee, 70% of the guaranteed maximum annual withdrawal amount each year until the contract account value reaches zero.

- i. 100% of qualified contracts must begin withdrawals at the earlier of attained age 80 or contract year 15, and
- ii. **At least** 95% of non-qualified contracts must begin withdrawals at the earlier of attained age 85 or contract year 20.

¹ The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For 60 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

Guidance Note: This requirement applies at the contract level and is a floor for total utilization. For example, assume the company prudent best estimate assumes utilization of 50% at duration 10 and 50% at duration 15. The company has two groups of qualified policies with an issue age of 60 and 70, respectively, and a third group of non-qualified policies with issue age of 75. For the SPA, the first contract group would begin withdrawals at the prudent best estimate (50% at age 70, 50% at age 75), the second contract group would have 100% begin withdrawal at age 80 instead of the prudent best estimate (50% at age 80 and 50% at age 85), and 95% of policyholders in the third contract group would withdraw benefits at age 85 and 5% at age 90 instead of the prudent best estimate (50% at age 85, 50% at age 90).

We appreciate the opportunity to provide these comments on the proposal. If you have any questions or would like to discuss this letter further, please contact Amanda Barry-Moilanen (barrymoilanen@actuary.org), the Academy's policy project manager, life.

Sincerely,

Bruce Friedland, MAAA, FSA
Chairperson, Annuity Reserves and Capital Subcommittee
American Academy of Actuaries