Reserve Category Definitions

The Accumulation Reserve Category contains contracts with supporting assets such that there is greater disintermediation risk and other risks associated with policyholder behavior, than reinvestment and longevity risks at issue.

The Payout Reserve Category contains contracts with supporting assets such that there is greater reinvestment and longevity risks than disintermediation risk and other risks associated with policyholder behavior at issue.

Guidance Note

Reasonable grouping of contracts is allowed. The determination process shall not incorporate the effect on reserves of categorization decisions and shall be documented in the VM-31 Actuarial Report.

Pros of making determination at issue

* Much simpler/easier.
* No reserve discontinuity due to a contract changing categories over time.

Con of making determination at valuation date

* Dilutes goal of not allowing for diversification of disintermediation/policyholder risks and reinvestment/longevity risks (e.g. an annuitization of a deferred annuity with no commutation options will be in the Accumulation RC)

Note

If a different reserve methodology is developed for a portion of contracts in the Payout Reserve Category, these definitions may be revisited.