VM-22 Subgroup Discussion Topics

April 13, 2022

Overview

- Drafting VM-22 Language
- Field Testing
- Potential Project Plan

Tier 1 Comments

- Have definitions for specific products in VM-22, or just scope in non-variable annuities except for GICs/stable value contracts
  - CA OPBR comments
  - ACLI comments
  - **Key Decision:** Keep current definitions for what is in-scope or focus only on non-variable annuities out of scope?
- Reserving categories and aggregation
  - Academy comments
  - TDI Comments
  - NYSDFS Comments
  - Equitable Comments
  - **Key Decision:** Determine Option 1 or Option 2 from exposed reserve category definitions
- Reinvestment Guardrail
  - Academy comments
  - TDI Comments
  - **Key Decision:** Keep VM-20/VM-21 mix, Academy mix, TX mix, or another? Wait until field testing to make final decision?
- Fixed Annuity PBR exemption, similar to life PBR exemption for smaller carriers?
  - ACLI comments
  - Erie Family Life comments
  - **Key Decision:** Add a VM-22 PBR Exemption for small companies? If so, what is an appropriate threshold?

Tier 2 Comments (*to be addressed in future meetings*)

- Consistent principles and risks across VM chapters
- General assumptions section, consistent with new section in VM-21
- Why are longevity reinsurance agreements not applicable to SSAP 61R not in scope of VM-22, and does this imply longevity swaps are not part of VM-22?
- Require disclosures for FIAs vs. FDAs vs. SPIAs vs. PRT vs. DIAs & GLBs vs. no GLBs
- Transition period:
  - Can a company retrospectively adopt to the start of the transition period?
  - Can we allow early adopting?
- Allow SPIAs to be optional without exclusion test?
• Exclusion test grouping: group with risks with significantly different profiles? Same grouping as general PBR modeling or not?
• What is the floor for contracts without CSV (including those that use a deterministic reserve)?
  o TX suggests working reserve concept, similar to a requirement in VM-21
• What to determine as the minimum error on the new index credit hedging program breakage expense?
• Import wording from VM-20 for incorporating contractual/additional characteristics for considering modeling of each reinsurance contract in VM-22
• Denominator for SERT: only benefits are also future premiums?
• Allow PRT to undergo certification method (rather than being ineligible)
• Exclusion test: require exclusion test be included for both mortality and economic together or separate? If together, include 100% mortality to be paired up with 95% mortality and 105% mortality?
• Include fair value certification?
• Permit PRT mortality with no or less than full credibility to follow a table from a third-party data provider instead of an industry table if available?
• Allocation: method 1 or 2?