

## NAIC VM-22 Drafting Discussion Log - 2022 Exposure

#	Topic	Description	Date	Tier	Outcome
1	Exemption Threshold Level	Discuss potential reserve thresholds, below which companies can apply for VM-22 exemption	3/1/2023	1	Subgroup voted for \$1b threshold for an individual company; to confirm whether the intent is \$2b threshold for a group of companies
2	Exemption Reinsurance Treatment	Are the reserves for the exemption levels gross or net of reinsurance?	3/1/2023	1	Subgroup voted in favor of setting a threshold on a gross of reinsurance basis
3	Longevity Reinsurance k-factor Approach	Consider principles-based methods for longevity reinsurance requirements?	4/12/2023	1	Subgroup reaffirmed direction of k-factor requirements
4	GLB Exemption Eligibility	Allow GLBs to be eligible for the exemption? Only if in payout status? What if only the GLB piece is reinsured?	4/12/2023	2	Subgroup decided to keep language; interested parties may comment if unclear GLB utilization won't make a closed block ineligible for exemption
5	Include "Other" category in exemption?	Include the "other" category for individual and group annuities in the annual statement for the exemption?	4/12/2023	2	Will include business from "other" category if falling into scope of VM-22
5	VM-21 vs. VM-22 Applicability	For principles in Section II, say "shall follow" or "generally expected to follow"?	4/12/2023	2	Subgroup voted to say "shall follow"
6	Combo Product Valuation	Should nursing riders and combo products be valued under PBR or prior formulaic reserves?	4/19/2023	2	Keep nursing home benefits in text; combination products to have living benefits valued with base policy modeled reserve
7	Reserving Category for GLB with Depleted AV	Use principle-based categorization or require a specific reserving category?	4/19/2023	2	Voted to prescribe the accumulation reserving category for guaranteed living benefits with depleted fund value
8	Frequency of Reviewing PBR Assumptions	Current text specifies reviewing experience annually, but assumptions periodically - align the two? Every 3 years?	4/19/2023	2	Voted to replace "periodically" with "annually" and add a guidance note to consider guidance on full studies
9	Rider Valuation	Add "After issuance" for determining whether a rider's reference to base policy results in valuing them together?	4/26/2023	3	Keeping "After issuance" for clarity
10	Two Benefits in a Contract	"May" or "should" assume the more valuable of two benefits in a contract?	4/26/2023	3	Per discussion, changed to say "should generally be assumed"
11	Longevity Reinsurance Premium Frequency	Remove the statement specifying that premiums are paid over the life of the annuitant?	4/26/2023	3	Kept the statement, but added the word "generally" to provide flexibility to the definition
12	Separate Account References	Remove references to the Separate Account in VM-22?	4/26/2023	3	Decided to strike references to separate account, but will add a drafting note to pose a question in field test for referencing separate accounts
13	Guidance Note in Section 3.A	Make guidance note part of formal text?	4/26/2023	3	Removed guidance note and make statement part of the formal text
14	Aggregation within each Reserving Category	Clarifying guidance on aggregation within reserving categories	4/26/2023	3	Added reference to both DR and SR, and moved to aggregation subsection within Section 3
15	Revisiting Aggregation	View expressed that a more principles-based approach for aggregation	4/26/2023	3	Will include the impact of aggregation in field testing; no other changes
17	Annuitization from Other Host Contracts	VM-21 vs. VM-22 treatment for annuitizations from host contracts	4/26/2023	3	Will work with ACLI to consider specific recommendations, and decide whether to work through the VM-22 Subgroup or LATF (impacts VM-21)
18	Supplementary Contracts	Need a definition for supplementary contracts?	4/26/2023	3	Voted to not add a definition or SSAP reference for supplementary contracts
16	Pre-determined Reinsurance Premiums	If premiums are pre-determined for longevity reinsurance, how does the k-factor approach apply?	5/10/2023	3	ACLI will gather specific questions and proposed modifications on the k-factor methodology, and a separate call will be dedicated to this topic

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19	Index Credit Hedge Margin	Determine prescribed minimum margins	5/10/2023	3	Will revisit after LATF addresses this issue for VM-21; alternatively, will revisit after further information is gathered through field testing
20	Projection Period	No obligations or not <i>material</i> obligations at the end of the projection period?	5/10/2023	3	Decided to keep the language as "no obligations remaining"
21	MVA Threshold	Should there be a percentage threshold of market value assets in a portfolio to determine MVA treatment?	5/10/2023	3	Will not specify a certain percentage, but rather say "all" assets must be held at market value for the MVA to apply to the CSV floor
22	Longevity Reinsurance Guidance Note	Clarify guidance note saying that deterministic assumptions are not appropriate for longevity reinsurance	5/10/2023	3	To remove guidance note
23	Term Certain in SPIA SET exemption	Include "Annuities Certain" and "Supplementary Contracts" from Exhibit 7 in SPIA threshold definition?	5/24/2023	3	
24	PRT Exclusion Testing treatment	Keep ineligibility for PRT and longevity reinsurance to automatically pass exclusion test through SPIA carveout?	5/24/2023	3	
25	SPIAs with increasing benefits & optionality	Allow SPIA exclusion test treatment to include fixed COLA, 50% joint, non-elective changes) rather than 5% standard	5/24/2023	3	
26	Payout Annuity Exemption Definition	Remove group annuities from payout exemption reserve definition if excluding PRT/reinsurance from carveout?	5/24/2023	3	
27	Index vs. Non-Index Hedging Bifurcation	What if a company does not clearly separate hedging strategies for index vs. non-index hedge programs?	5/10/2023	3	Will revisit after LATF addresses this issue for VM-21; alternatively, will revisit after further information is gathered through field testing
28	E Factor Examples	Clarify examples listed for the E-factor for hedging purposes is non-exhaustive?	5/24/2023	3	
29	Sensitivity Test Immateriality	Should sensitivity testing include assumptions that are deemed to be immaterial? (e.g., account transfers, etc.)	5/24/2023	3	
30	Less Conservative Than Experience	Allow immaterial risk factors or low/no credibility to not be bound by less conservative than experience limit?	5/24/2023	3	