NAIC VM-22 Drafting Discussion Log

#	Topic	Description	Date	Tier	Outcome
1	VM-22 Scope and Definitions	Keep current definitions for what is in-scope or focus only on non-variable annuities out of scope	4/13/2022	1	Openness to use Section II of the Valuation Manual to determine scope rather than relying on definitions; ACLI to provide potential draft wording
2	Reserving categories and aggregation	Determine Option 1 or Option 2 from exposed reserve category definitions	4/13/2022	1	Preliminary vote to pursue Option 1
3	Small Company Exemption	Fixed Annuity PBR exemption, similar to life PBR exemption for smaller carriers?	4/13/2022	1	Voted to pursue a "Fixed Annuity PBR Exemption"; ACLI to propose a set of potential draft criteria for the exemption
4	Reinvestment Guardrail	Keep VM-20/VM-21 mix, Academy mix, TX mix, or other? Wait until field test for final decision?	4/27/2022	1	Wait until observing impact in field testing results before voting on a reinvestment mix guardrail
5	Principles & Risks Across VM Chapters	Build one section in the Valuation Manual for principles that apply to VM-20, VM-21, and VM-22	4/27/2022	2	Openness to interested party proposals for a common "principles" section, but will focus on working through other VM-22 decisions before exploring
6	General Assumptions Section	Add a section to the VM-22 draft on general considerations and requirements for assumption	4/27/2022	2	Will include a proposed general assumptions section ("Section 13") from Texas, to be consistent with a recent APF adoption on VM-21
7	Transition Period	Permit 1) early adoption and 2) retrospective adoption to the start of the 3-year transition period?	4/27/2022	2	Decided to not pursue early adoption; VM-22 will say silent on retrospective adoption to start of transition period, similar to VM-20
8	Minimum Error for Index Credit Hedges	What should be the minimum breakage expense (i.e., error) for modeling hedges supporting index credits?	5/11/2022	2	Will wait until seeing field testing results before minimum threshold
9	Longevity Reinsurance	How should longevity reinsurance be defined and treat negative reserves/recurring premiums?	5/11/2022	2	Academy presented on longevity reinsurance and will provide a refined definition; New Jersey proposal is exposed for reserving requirements
10	Categories for VM-31 Disclosures	What level of granularity should be required for disclosing PBR reserves for product groups in VM-31?	5/11/2022	2	Will wait until seeing field testing results before determining granularity of disclosures
11	Exclusion Test: SPIA contracts	Allow SPIAs to have the option of PBR vs. pre-PBR valuation without an exclusion test?	6/1/2022	2	Voted to allow SPIAs automatically pass exclusion testing, subject to criteria around optionality and a liability duration threshold (TBD)
12	Exclusion Test: PRT Certification Method	Allow PRT contracts to use the Certification Method for exclusion testing?	6/1/2022	2	Do not allow PRT to undergo the Certification Method
13	Exclusion Test: Grouping	Group between products with significantly different risk profiles?	6/1/2022	2	Do not allow grouping between products with significantly different risk profiles, consistent with VM-20 and TDI's proposal
14	Exclusion Test: Future Premiums	For the stochastic exclusion ratio test, determine whether to include future premiums	6/1/2022	2	Include future premiums in the numerator, but only benefits and expenses in the denominator, consistent with VM-20.
15	Exclusion Test: Deterministic Reserve	To pass the deterministic test, does the company need to pass or disclose 16 scenarios with baseline mortality?	6/1/2022	2	Require passing the ratio test for 16 economic scenarios under 100% of the anticipated experience mortality assumption
17	Import Reinsurance Wording from VM-20	Import VM-20 wording on incorporating contractual or additional characteristics for modeling reinsurance?	6/14/2022	2	Include proposed wording from VM-20
18	Fair Value Certification	Include fair value certification, similar to existing VM-21 requirement?	6/14/2022	2	Include fair value certification disclosure for non-index credit hedging programs
16	PRT Mortality	Permit PRT mortality with limited credibility to follow a third-party provider instead of an industry table?	6/14/2022	2	Voted in favor of using a prescribed table; do not permit a third party table upon limited credibility
19	Allocation Method	Determine Option 1 or Option 2? Wait until observing field test results before deciding?	6/29/2022	2	

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20	Working Reserve	Use a working reserve concept to serve as a floor for contracts without cash surrender value?	6/29/2022	2	
21	Grouping for Fund Value Depletion	Appropriate reserving category for deferred annuities with GMWBs/GMIBs that have depleted fund value	6/29/2022	2	
22	RBC Guidance Note	Retain the guidance note in VM-21 that discusses the relationship between reserves and RBC?	TBD	3	
23	Principle 1	Should the edits to Principle 1 for VM-22 be incorporated into VM-21 as well?	TBD	3	
24	Principle 2	Does setting an SR to be reasonably conservative over a span of economic cycles contradict other principles?	TBD	3	
25	Aggregation Limits	Guidance note stating aggregation may not be possible for experience rated group and reinsurance treaties	TBD	3	
26	Principle 3	Delete "Generally, assumptions are to be based on the conservative end of the confidence interval"?	TBD	3	
27	Principle 5	Delete sentence about the principle to not reduce the reserve unless reducing the risk?	TBD	3	
28	Risks not reflected	Retain or remove the list of "Risks not reflected" in VM-22?	TBD	3	
29	Separate Account References	Recommendation to delete all references to "separate accounts" in VM-22	TBD	3	
30	Combination Risks	Proposal to delete "Risks modeled in the company's risk assessment processes that are related to the contracts"	TBD	3	
31	Immaterial Risks	Recommendation to delete sentence about not reflecting risks that do not materially affect the reserves	TBD	3	
32	Significant Future Reserve Increases	Strike this item from the list of risks not reflected?	TBD	3	
33	Fixed Annuity Definition	Need to define a "fixed annuity"?	TBD	3	
34	Longevity Swaps	Are these contracts included in the definition of PRT?	TBD	3	
35	CSV and GMDB definitions	Retain VM-21 definitions for "cash surrender value" and "guaranteed minimum death benefits"?	TBD	3	
36	Assumed reserve level for RBC	Question whether CTE70 was the assumed level for reserves upon determining RBC	TBD	3	
37	VM-23	Consider reinstating "VM-23" to avoid confusion around the where exemptions/exclusions point to vs. PBR?	TBD	3	
38	Pre-Reinsurance	Request to develop further guidance around pre-reinsurance	TBD	3	

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39	Deterministic Reserve	Use this term for the single scenario reserve calculated upon passing the deterministic exclusion test?	TBD	3	
40	Stochastic Exclusion Test	Change Section 3.E to "Stochastic Exclusion Test" header?	TBD	3	
41	Prudent Estimate Assumptions	Move Section 3.G to Section 4 of the document?	TBD	3	
42	Simplifications	Port over VM-21 Section 3.H on simplifications, approximations, and modeling efficiency techniques?	TBD	3	
43	Review experience every three years?	Make this a requirement for the qualified actuary?	TBD	3	
44	Simplification example for the SPA	Add an example of a simplification for the SPA upon development	TBD	3	
45	Stochastic Mortality	Consider including stochastic mortality in the stochastic reserve for longevity reinsurance?	TBD	3	
46	MVA Guidance Note	Is the market value adjustment guidance note from VM-21 still appropriate for VM-22?	TBD	3	
47	Hedging Reorganization	Move parts of Section 4.A.4 to Section 9, which covers hedging	TBD	3	
48	Future Hedging Programs	Align VM-22 draft to be consistent with APF 2020-12 adopted edits for VM-21?	TBD	3	
49	Index Credit Hedge Margin	Does this reflect both model risk and real-world error? How does stress testing justify the error?	TBD	3	
50	Margin on Hedging Paragraph	Remove this paragraph if included in another section, even upon edits from TDI/OPBR?	TBD	3	
51	Revenue Sharing	Is the section of revenue sharing applicable to non-variable products?	TBD	3	
52	Projection Period	Use consistent language with VM-20?	TBD	3	
53	PIMR	Include pre-tax IMR in VM-22?	TBD	3	
54	MVA on CSV Floor	Apply the market value adjustment factor to the cash surrender value reserve floor for applicable products?	TBD	3	
55	Consistency with Managed Business	Modify NAER requirement to have assets modeled in a manner consistent with how business is managed?	TBD	3	
56	Limits on NAER	Define a specific cap or floor for the NAER instead of saying it should not be "unreasonably high"?	TBD	3	
57	Reserve Floor	NY comment on using CARVM as a reserve floor	TBD	3	

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58	Longevity Reinsurance & SPA	Require the k-factor approach to address negative reserve issue for longevity reinsurance in SPA?	TBD	3	
59	Longevity Reinsurance & Exclusion Testing	Require the k-factor approach or something similar for longevity reinsurance in exclusion testing?	TBD	3	
60	Standard Projection Amount	Equitable comment on supporting SPA with company assumptions insignificant risk factors	TBD	3	
61	Exclusion Testing & SPA	Modify exclusion test to address the standard projection amount?	TBD	3	
62	Hedging eligibility for exclusion testing	Refine wording around the restriction for not allowing blocks with hedging programs to use exclusion testing?	TBD	3	
63	Mortality Stress Tests	If using the NY7 for the Certification Method, add mortality stress scenarios?	TBD	3	
64	Mortality Shock	Include the mortality shock for the ratio test based on the company materiality standard if more restrictive?	TBD	3	
65	Baseline Mortality Test	Include the baseline mortality test in determining the exclusion test?	TBD	3	
66	Permutations	Include note on number of exclusion test permutations for clarity?	TBD	3	
67	Non-Proportional Reinsurance	Retain section on non-proportional reinsurance?	TBD	3	
68	SERT if Other Tests Fail	Prohibit passing the SERT if the demonstration test fails?	TBD	3	
69	Demonstration Test	Remove options in 1.a and 2.a?	TBD	3	
70	Deterministic Exclusion for SPA	Consider SPA for the deterministic exclusion test	TBD	3	
71	Deterministic Exclusion Scenario	Consider disintermediation risk for the SPIA scenario?	TBD	3	
72	SPIA Guidance Note	Remove guidance note specifying that the deterministic exclusion test generally applies to SPIAs?	TBD	3	
73	Delta Hedging	Replace or remove example about delta hedging for VM-22?	TBD	3	
74	Policyholder Behavior Considerations	Suggestion to re-word as considerations instead of questions?	TBD	3	
75	Non-Elective Benefits	Remove guidance note to limit modeling non-elective benefits after CSV is depleted if reducing reserves?	TBD	3	
76	100% Policyholder Efficiency	Assuming 100% policyholder inefficiency contradicts VM Section II 6.H.2, so revise VM Section II?	TBD	3	

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77	NGE Board of Directors	Comment that only allowing NGE exclusion if approved by the Board does not necessarily seem reasonable	TBD	3	
78	Unsupported Judgement	Comment to remove the reference to using "unsupported actuarial judgement" from Section 11	TBD	3	
79	Mortality and Reinsurance	Does Section 11.A require evaluation of a plus vs. minus segment differently for pre- vs. post reinsurance?	TBD	3	
80	Little or No Data	Does "little or no data" need to be in the header of Section 11.B.3?	TBD	3	
81	Improvement with Limited Experience	Consider not only credibility blending the base mortality assumption but also the improvement assumption	TBD	3	
82	Option 1 DR vs SR	Require separate allocation for DR vs. SR for allocation Option 1 (Section 13)?	TBD	3	
83	Option 2 for Direct Iteration Method	Option 2 is not designed to work for the Direct Iteration Method	TBD	3	
84	Option 2 Single Scenario	Could produce unstable allocation when products with different risk profiles are aggregated for PBR	TBD	3	
85	Index-linked annuity	This term is used in the proposed Section II, Subsection 2 draft, but is not defined	TBD	3	
86	Modified Guaranteed Annuities (MGAs)	VM-21 has language that exempts contracts falling under scope of MDL-255; does this contradict Section II edits?	TBD	3	