VM-22 PBR Issues List as of 5/10/21

(Applicable comment letter)

[Last call issue was discussed, status/next step]

**New item**

PRINCIPLES (Texas) [4/28/21, discuss after summer exposure]

* “Will VM-22 cite/follow the VM-21 principles”?

VM-31 DISCLOSURES

* Reserve Categories - # and descriptions

[consider after Standard Projection Amount (SPA) decisions made]

* “Quantify impact of all margins, showing the effect with and without.” (Texas)

[4/28/21]

* “What certifications will be included for the VM-22 reporting? Will they follow VM-20 or VM-21?” (Texas)
* **“Hedge back-testing should be shown for the full time period current strategy has been in place.” (Texas)**

PRODUCT SCOPE VM-21 vs. VM-22

[3/3/21, ARCWG considering]

* Registered Index-Linked Annuities (RILAs)
* Market Value Adjusted Annuities (MVAAs)

POLICY ALLOCATION

[3/3/21, contact LRBCWG]

* Placeholders are to use GPVAD allocation method (Academy), enhanced GPVAD method such as use of SPA assumptions to calibrate scenario for different product types (Texas), or more simplified approach (ACLI).

BORROWING COST ASSUMPTION

[3/3/21, consider during field test]

* ARCWG exposed deck p. 10

EXCLUSION TESTING

[first two bullets to be considered by ARCWG]

* Longevity risk (and other risks?) inclusion in SERT. Review during field testing.
* Deterministic Certification Option for policies with interest rate and longevity risk, but little or no policyholder optionality. Review during field testing.
* “materiality threshold similar to the Life PBR Exemption”? (ACLI) [12/18/20]
* Certain products out of scope or allow for simplified exclusion testing (besides certification method)? (ACLI)
* If SPA floor, inclusion of SPA in exclusion testing? (Texas) [12/14/20]
* SERT threshold should incorporate company materiality threshold and dollar amount? (Texas)

REINVESTMENT GUARDRAILS

[2/24/21, use of updated data from 2011-2013 to be considered by ACLI]

* VM20/21 credit distributions vs. those in current VM22 vs. other
* Apply guardrail to existing assets? (Equitable) [12/14/20]
* Apply separate guardrail to individual securities? (Equitable)
* Shorten current/long term spread grade-in period from 4 years to 1 year at most for reinvestments? (Equitable, Texas)
* “net yield pickup based criteria for reinvestments instead of a guardrail based on a specific asset mix, which would reduce implementation constraints seen to date with the alternative reinvestment guardrail.”  (Texas)

LIABILITY ASSUMPTIONS (Texas) [4/28/21]

* Mortality
  + Is 2012 IAM Basic Table with Scale G2 appropriate for all lines of business, including reserves on international lives? Include option to use other than whatever standard table is decided on?
  + “What number of years of future improvement will be used?”
* Policyholder Behavior
  + Joint distributions – harmonize with VM21 and VM20 approaches (varies slightly from VM21?)

**IMPLEMENTATION PERIOD (Texas)**

* **“Can a company wait until the end of the transition period to start PBR, but then apply PB to the issues from the transition period?”**

**CTE(70) (Texas)**

* **“For products with market value adjustment, CTE(70) needs to be floored at cash surrender value with MVA which varies by scenarios.”**
* **“For products that do not have a cash surrender value, it is recommended that VM-22 use a ‘working reserve’ concept, similar to VM-21 Section 3.G requirement.”**