

Draft: 10/5/26

Adopted by the Life Insurance and Annuities (A) Committee, TBD

Adopted by the Life Actuarial (A) Task Force, TBD

2026 Charges

LIFE ACTUARIAL (A) TASK FORCE

The mission of the Life Actuarial (A) Task Force is to identify, investigate, and develop solutions to actuarial problems in the life insurance industry.

Ongoing Support of NAIC Programs, Products, or Services

1. The **Life Actuarial (A) Task Force** will:

- A. Work to keep reserve, reporting, and other actuarial-related requirements current. This includes principle-based reserving (PBR) and other requirements in the *Valuation Manual*, actuarial guidelines, and recommendations for appropriate actuarial reporting in blanks. Respond to charges from the Life Insurance and Annuities (A) Committee and referrals from other groups or committees, as appropriate.
- B. Report progress on all work to the Life Insurance and Annuities (A) Committee and provide updates to the Financial Condition (E) Committee on matters related to life insurance company solvency. This work includes the following:
 - i. Work with the American Academy of Actuaries (Academy) and the Society of Actuaries (SOA) to develop new mortality tables for valuation and minimum nonforfeiture requirements for life insurance and annuities, as appropriate.
 - ii. Coordinate with international regulatory bodies and organizations to receive information on relevant mortality tables on international insured lives and consider for adoption into the *Valuation Manual*.
 - iii. Provide recommendations for guidance and requirements for accelerated underwriting (AU) and other emerging underwriting practices, as needed.
 - iv. Work with the SOA on the annual development of the Generally Recognized Expense Table (GRET) factors.
 - v. Provide recommendations and changes to other reserve and nonforfeiture requirements to address issues as appropriate and provide actuarial assistance and commentary to other NAIC committees relative to their work on actuarial matters.
 - vi. Work with the selected vendor to develop and implement the new generator of economic scenarios (GOES) for use in regulatory reserve and capital calculations.
 - vii. Monitor international developments regarding life and health insurance reserving, capital, and related topics. Compare and benchmark these with PBR requirements.
 - viii. Coordinate with the Reinsurance (E) Task Force on actuarial items related to reinsurance.

2. The **Experience Reporting (A) Subgroup** will:

- A. Continue the development of the experience reporting requirements within the *Valuation Manual*. Provide input on the process regarding the experience reporting agent, data collection, and subsequent analysis and use of experience submitted.

LIFE ACTUARIAL (A) TASK FORCE (Continued)

3. The **Generator of Economic Scenarios (GOES) (E/A) Subgroup** of the Life Risk-Based Capital (E) Working Group and the Life Actuarial (A) Task Force will:
 - A. Monitor that the economic scenario governance framework is being appropriately followed by all relevant stakeholders involved in scenario delivery.
 - B. Review material GOES updates, either driven by periodic model maintenance or changes to the economic environment, and provide recommendations.
 - C. Regularly review key economic conditions and metrics to evaluate the need for off-cycle or significant GOES updates, and maintain a public timeline for GOES updates.
 - D. Support the implementation of the GOES for use in statutory reserve and capital calculations.
 - E. Develop and maintain acceptance criteria that reflect history as well as plausibly more extreme scenarios.
4. The **Longevity Risk (E/A) Subgroup** of the Life Risk-Based Capital (E) Working Group and the Life Actuarial (A) Task Force will:
 - A. Provide recommendations for recognizing longevity risk in statutory reserves and/or risk-based capital (RBC), as appropriate.
5. The **Valuation Manual (VM)-22 (A) Subgroup** will:
 - A. Address topics designated as post-launch activities following the implementation of the VM-22 principle-based reserving (PBR) framework.
 - B. Monitor the non-variable (fixed) annuities reserve framework and determine if revisions need to be made.
 - C. Develop and recommend appropriate changes, including those that improve the accuracy and clarity of the VM-22 reserve requirements and reporting.

NAIC Committee Support: Scott O'Neal/Jennifer Frasier

Life Actuarial (A) Task Force/ Health Actuarial (B) Task Force

Amendment Proposal Form*

1. Identify yourself, your affiliation and a very brief description (title) of the issue.

Rachel Hemphill, Chief Life Actuary, Texas Department of Insurance

Include guidance that is currently in VM-21 and VM-22 for non-prescribed scenario results in VM-20.

2. Identify the document, including the date if the document is “released for comment,” and the location in the document where the amendment is proposed:

January 1, 2027, NAIC Valuation Manual

VM-20 Section 7.G.2.b

3. Show what changes are needed by providing a red-line version of the original verbiage with deletions and identify the verbiage to be deleted, inserted or changed by providing a red-line (turn on “track changes” in Word®) version of the verbiage. (You may do this through an attachment.)

See below

4. State the reason for the proposed amendment? (You may do this through an attachment.)

VM-21 and VM-22 both contain the following guidance:

“If a proxy fund cannot be appropriately mapped to some combination of the prescribed returns, the company shall determine an appropriate return using a non-prescribed scenario generator and disclose the methodology underlying the non-prescribed scenario generator.

In using non-prescribed scenario generators to determine the return for proxy funds that cannot be mapped to the prescribed economic generator, the scenarios so generated must be consistent with the general relationships between risk and return observed in the fund returns from the prescribed scenario generator. This does not imply a strict functional relationship between the model parameters for various markets/funds, but it would generally be inappropriate to assume that a market or fund consistently “outperforms” (lower risk, higher expected return relative to the efficient frontier) over the long term.”

VM-20 is less clear on the use of non-prescribed generators, and this has led to multiple companies questioning whether they are allowed to use non-prescribed generators in these same situations when following VM-20. This is to make it clear that the same type of use clearly allowed by VM-21 and VM-22 is also allowed under VM-20.

NAIC Staff Comments:

Dates: Received	Reviewed by Staff	Distributed	Considered
8/25/26	A.F., S.O.		
Notes: <u>APF 2026-07</u>			

VM-20 Section 7.G.2.b

b. The company shall map each of the proxy funds defined in Section 7.I and Section 7.J to the prescribed fund returns defined in Section 7.G.2.a. This mapping process may involve blending the accumulation factors from two or more of the prescribed fixed income and/or equity returns to create the projected returns for each proxy fund. If a proxy fund cannot be appropriately mapped to some combination of the prescribed returns, the company shall determine an appropriate return using a non-prescribed scenario generator and disclose the methodology underlying the non-prescribed scenario generator.

In using non-prescribed scenario generators to determine the return for proxy funds that cannot be mapped to the prescribed economic generator, the scenarios so generated must be consistent with the general relationships between risk and return observed in the fund returns from the prescribed scenario generator. This does not imply a strict functional relationship between the model parameters for various markets/funds, but it would generally be inappropriate to assume that a market or fund consistently “outperforms” (lower risk, higher expected return relative to the efficient frontier) over the long term and disclose the rationale for determining such return.

VM-31 Section 3.D.11.p (new section)

Proxy Funds Not Within Scope of Prescribed Scenario Generator – For any proxy fund returns generated by a non-prescribed scenario generator (e.g., volatility control funds and any funds projected dynamically in the liability model), a description of:

- i. The market price of risk implied in the projected fund returns.
- ii. A correlation matrix that illustrates the average correlations across all scenarios and all time periods of the projected fund returns with the fund returns generated by the prescribed generator.
- ±.iii. Any other information that provides assurance that the returns for proxy funds generated using a non-prescribed scenario generator do not consistently outperform over the long term if the company believes that the market price of risk and correlations described above are misleading or not relevant.

Life Actuarial (A) Task Force/ Health Actuarial (B) Task Force

Amendment Proposal Form*

1. Identify yourself, your affiliation and a very brief description (title) of the issue.

Ben Slutsker, Acting Deputy Commissioner of Insurance, Minnesota Department of Commerce

Support for Asset Selection.

2. Identify the document, including the date if the document is “released for comment,” and the location in the document where the amendment is proposed:

January 1, 2027, NAIC Valuation Manual

VM-20 Section 7.D.2, VM-21 Section 4.B.3.a, VM-21 Section 4.B.4, VM-21 Section 4.D.3, VM-21 Section 4.D.4.d, VM-22 Section 4.B.1.b, VM-22, Section 4.D.4.d, VM-22 Section 4.B.3.a, VM-30 Section 3.B.7, VM-30 Section 3.B.11, VM-31 Section 3.D.6, VM-31 Section 3.D.14.a, VM-31 Section 3.F.6.m, VM-31 Section 3.F.19.a

3. Show what changes are needed by providing a red-line version of the original verbiage with deletions and identify the verbiage to be deleted, inserted or changed by providing a red-line (turn on “track changes” in Word®) version of the verbiage. (You may do this through an attachment.)

See attached.

4. State the reason for the proposed amendment? (You may do this through an attachment.)

To allow regulators to review that companies are following the principle that modeled assets used to support specific liabilities within a portfolio are consistent with actual asset portfolio management and investment practices, both for asset adequacy analysis and principle-based reserving requirements.

NAIC Staff Comments:

Dates: Received	Reviewed by Staff	Distributed	Considered
10/19/26	S.O.		
Notes: 2026-09			

VM-20 Section 7.D.2**D. Starting Assets**

2. For an asset portfolio in a general account that supports both policies that are subject and not subject to these requirements, the company shall ~~determine an equitable method to~~ apportion the total amount of starting assets between ~~subject and non-subject~~ policies in a manner consistent with company management and asset segmentation practices across business functions, as documented in VM-31 Section 3.D.6.d.

If VM-31 Section 3.D.6.d is not satisfied, then the company shall apportion assets from a single portfolio across liability segments that generate the higher reserves between the following two approaches for a single portfolio:

(a) a prorata slice of the portfolio

(b) in a manner consistent with company management and asset segmentation practices across business functions.

The company shall be able to support that applicable starting assets are not double counted across various PBR calculations and asset adequacy analyses used to support VM-30 requirements, as well as between liabilities and surplus. To the degree that liabilities and surplus are held in separate portfolios, assets from a surplus portfolio may not be reflected in modeled liability portfolios.

VM-21 Section 4.B.3.a**3. Determination of NAER on Additional Invested Asset Portfolio**

- a. The additional invested asset portfolio for a scenario is a portfolio of general account assets as of the valuation date, outside of the starting asset portfolio, that is required in that projection scenario so that the projection would not have a positive accumulated deficiency at the end of any projection year. This portfolio may include only (i) general account assets available to the company on the valuation date that do not constitute part of the starting asset portfolio; and (ii) cash assets.

Additional invested assets should be selected in a manner such that if the starting asset portfolio were revised to include the additional invested assets, the projection would not be expected to experience any positive accumulated deficiencies at the end of any projection year. The additional invested asset portfolio can be comprised of one or more of the following:

- (i) Pro-rata slice of the asset portfolio
- (ii) Cash that is immediately reinvested
- (iii) A combination of assets that would be transferred to the portfolio from the general account to cover a potential shortfall

It is assumed that the accumulated deficiencies for this scenario projection are known. Assets selected for the additional invested asset portfolio should be based on the same allocation methodology for all scenarios.

For an asset portfolio in a general account that supports both contracts that are subject and not subject to these requirements, both liabilities and surplus, or across multiple reserving categories, the company shall apportion these additional assets between contracts in a manner consistent with company management and asset segmentation practices across business functions, as documented in VM-31 Section 3.F.6.d.

If documentation is not provided for VM-31 Section 3.F.6.d, then the company shall apportion assets from a single portfolio across liability segments that generate the higher reserves between the following two approaches:

- a prorata slice of the portfolio
- in a manner consistent with company management and asset segmentation practices across business functions

The company ~~should~~ shall be able to support that these additional assets are not double counted across various PBR calculations and asset adequacy analyses used to support VM-30 requirements. For example, it would be inappropriate to assume the same asset was “transferred to the portfolio from the general account” for the same economic scenario for both VM-21 and VM-22. Similarly, it would be inappropriate to assume that an asset used for VM-30 starting assets is available to the VM-21 Additional Invested Asset Portfolio.

To the degree that liabilities and surplus are held in separate portfolios, assets from a surplus portfolio may not be reflected in modeled liability portfolios.

VM-21 Section 4.B.4

4. Direct Iteration

In lieu of the method described in Section 4.B.2 and Section 4.B.3 above, the company may solve for the amount of starting assets which, when projected along with all contract cash flows, result in the defeasement of all projected future benefits and expenses at the end of the projection horizon with no accumulated deficiencies at the end of any projection year during the projection period. Regarding the composition of the starting assets, the same asset segmentation requirements from Section 4.B.3 apply.

VM-21 Section 4.D.3

3. Separate Account Assets

For purposes of determining the starting asset amounts in Section 4.D.1 and the valuation of projected assets in Section 4.D.2, assets held in a separate account shall be summarized into asset

categories determined by the company as discussed in Section 4.A.2. Starting assets in a non-insulated separate account shall follow the same asset segmentation requirements for the general account in Section 4.D.4.d.

VM-21 Section 4.D.4.d

- d. For the purposes of starting assets used in Section 4.D.1, assets in a general account that support both contracts that are subject and not subject to these requirements, both liabilities and surplus, or across multiple reserving categories, the company shall apportion the starting assets between contracts in a manner consistent with company management and asset segmentation practices across business functions, as documented in VM-31 Section 3.F.6.d.

If documentation is not provided for VM-31 Section 3.F.6.d, then the company shall apportion assets from a single portfolio across liability segments that generate the higher reserves between the following two approaches:

- a prorata slice of the portfolio
- in a manner consistent with company management and asset segmentation practices across business functions

The company shall be able to support that starting assets are not double counted across various PBR calculations and asset adequacy analyses used to support VM-30 requirements, as well as between liabilities and surplus. For example, it would be inappropriate to assume the same asset was “transferred to the portfolio from the general account” for the same economic scenario for both VM-21 and VM-22.

To the degree that liabilities and surplus are held in separate portfolios, assets from a surplus portfolio may not be reflected in modeled liability portfolios.

VM-22 Section 4.B.3.a

3. Determination of NAER on Additional Invested Asset Portfolio

- a. The additional invested asset portfolio for a scenario is a portfolio of general account assets as of the valuation date, outside of the starting asset portfolio, that is required in that projection scenario so that the projection would not have a positive accumulated deficiency at the end of any projection year. This portfolio may include only (i) General Account assets available to the company on the valuation date that do not constitute part of the starting asset portfolio; and (ii) cash assets.

Additional invested assets should be selected in a manner such that if the starting asset portfolio were revised to include the additional invested assets, the projection would not be expected to experience any positive

accumulated deficiencies at the end of any projection year. The additional invested asset portfolio can be comprised of one or more of the following:

- (i) Pro-rata slice of the starting asset portfolio
- (ii) Cash that is immediately reinvested
- (iii) A combination of assets that would be transferred to the portfolio from the general account to cover a potential shortfall

It is assumed that the accumulated deficiencies for this scenario projection are known. Assets selected for the additional invested asset portfolio should be based on the same allocation methodology for all scenarios.

For an asset portfolio in a general account that supports both policies that are subject and not subject to these requirements, both liabilities and surplus, or across multiple reserving categories, the company shall apportion these additional assets between contracts in a manner consistent with company management and asset segmentation practices across business functions, as documented in VM-31 Section 3.F.6.d.

If documentation is not provided for VM-31 Section 3.F.6.d, then the company shall apportion assets from a single portfolio across liability segments that generate the higher reserves between the following two approaches:

- a prorata slice of the portfolio
- in a manner consistent with company management and asset segmentation practices across business functions

The company ~~should~~shall be able to support that these additional assets are not double counted across various PBR calculations and asset adequacy analyses used to support VM-30 requirements, as well as between liabilities and surplus. For example, it would be inappropriate to assume the same asset was “transferred to the portfolio from the general account” for the same economic scenario for both VM-21 and VM-22. Similarly, it would be inappropriate to assume that an asset used for VM-30 starting assets is available to the VM-22 Additional Invested Asset Portfolio.

To the degree that liabilities and surplus are held in separate portfolios, assets from a surplus portfolio may not be reflected in modeled liability portfolios.

VM-22 Section 4.B.1.b

- b. The direct iteration method, where the scenario reserve is determined by solving for the amount of starting assets which, when projected along with all contract cash flows, result in the defeasement of all projected future benefits and expenses at the end of the projection horizon with no positive accumulated deficiencies at the end of any projection year during the projection period, less

the allocated amount of PIMR. Regarding the composition of the starting assets, the same asset segmentation requirements from Section 4.B.3 apply.

VM-22 Section 4.D.3.d

- d. For the purposes of starting assets used in Section 4.D.1, assets in a general account that support both contracts that are subject and not subject to these requirements, both liabilities and surplus, or across multiple reserving categories, the company shall apportion the starting assets between contracts in a manner consistent with company management and asset segmentation practices across business functions, as documented in VM-31 Section 3.F.6.d.

If documentation is not provided for VM-31 Section 3.F.6.d, then the company shall apportion assets from a single portfolio across liability segments that generate the higher reserves between the following two approaches:

- a prorata slice of the portfolio
- in a manner consistent with company management and asset segmentation practices across business functions

The company shall be able to support that starting assets are not double counted across various PBR calculations and asset adequacy analyses used to support VM-30 requirements. For example, it would be inappropriate to assume the same asset was “transferred to the portfolio from the general account” for the same economic scenario for both VM-21 and VM-22.

To the degree that liabilities and surplus are held in separate portfolios, assets from a surplus portfolio may not be reflected in modeled liability portfolios.

VM-30 Section 3.B.7

6. The amount of the assets used for the AVR shall be disclosed in the table of reserves and liabilities of the opinion and in the memorandum. The method used for selecting particular assets or allocated portions of assets shall be disclosed in the memorandum.
7. There shall be no differences between asset adequacy analyses and principles-based reserving (VM-20, VM-21, and VM-22) regarding how assets within a single portfolio for a general account or non-insulated separate account are assigned to support specific groups of policies or contracts, including differences in allocation between assets supporting liabilities and assets supporting surplus.

Guidance Note: To the degree that the allocation is the same but the level of aggregation reflects differences between PBR and CFT, this can be documented in the VM-31 report as simplification, as well as specifically called out in the VM-30 memorandum along with support that the impact is either not material or does not overstate the adequacy of reserves.

Sections following 3.B.7 are renumbered

VM-30 Section 3.B.11 (Renumbered to 3.B.12 after addition of 3.B.7)

11. When an actuarial opinion is provided, the memorandum shall specify for assets:
- a. Portfolio descriptions, including a risk profile disclosing the quality, distribution and types of assets.
 - b. Investment and disinvestment assumptions.
 - c. Source of asset data.
 - d. Asset valuation bases.
 - e. Documentation of assumptions made for default costs, bond call function, mortgage prepayment function, determining market value for assets sold due to disinvestment strategy and determining yield on assets acquired through the investment strategy. The documentation of the assumptions shall be such that an actuary reviewing the actuarial memorandum could form a conclusion as to the reasonableness of the assumptions.
 - f. A reliance from a duly authorized investment officer or appropriate qualified actuary for investments that the modeled asset portfolio allocation and investment strategy for asset adequacy analysis used to support VM-30 requirements is consistent with the company's current management practices and investment strategy.

VM-31 Section 3.D.6.c

- c. Asset Segmentation – Method used and rationale for allocating total asset portfolio into multiple segments. Demonstrate compliance with VM-20 Section 7.D.2 by providing the following:
 - i. Template – Please fill out PBR Actuarial Report Template F located on the NAIC website (https://www.naic.org/pbr_data.htm?tab_3).
 - ii. ALM Documentation - Materials explaining ALM strategy, such as duration matching within a certain range, cash flow matching, treatment for convexity, liquidity considerations, and other related items.
 - iii. Inforce Management - Documentation that the company is setting crediting rates, dividend surplus contributions (participating products), or other non-guaranteed elements using portfolio asset allocations that are consistent with PBR and cash flow testing models.

Guidance Note: The above requirements do not intend to review the appropriateness of NGE decisions themselves, but rather consistency of how asset segments are used in determining NGE decisions compared to models used for PBR.

- iv. Investment Governance Structure – Documentation of the investment governance committee structure used to make decisions that specific subsets of assets within a portfolio support specific subsets of liabilities within that portfolio.

Guidance Note: In the event that covered business is 100% assumed by a third-party US insurance or reinsurance the direct writer may not be able to provide the same level of support for items like the ALM policy and investment governance because these may be determined by the assuming entity. Similarly non-guaranteed elements may be set based on a reference portfolio in this situation. In these cases the goal is to ensure that the assets that back the treaty (such as by being in a trust) are used in the calculation.

v. Changes Compared to the Prior Year – Please describe any changes related to the asset selection method for VM-20 compared to the prior year.

vi. Proportional Comparison – If the company assumes that a proportional slice of assets within each applicable general account and non-insulated separate account portfolio supports all liabilities and surplus assigned to that portfolio, but this is not consistent with company management practices, a comparison of the resulting reserve when selecting assets based on:

- a prorata slice of the portfolio
- in a manner consistent with company management and asset segmentation practices across business functions

vii. Certification – Provide certification as required in VM-31 Section 3.D.14.a.

Items (i) through (iv) above do not need to be provided if the company assumes that a proportional slice of assets within each applicable general account and non-insulated separate account portfolio supports all liabilities and surplus assigned to that portfolio, and such is consistent with company management practices.

All disclosure requirements in this subsection are only to be provided on a post-reinsurance basis.

VM-31 Section 3.D.14.a

14. Certifications – The following certifications:

- a. Investment Officer on Investments – A certification from a duly authorized investment officer that the modeled asset portfolio allocation and investment strategy for VM-20, including any future hedging strategies supporting the contracts, is consistent with the company's current management practices and investment strategy except where the modeled reinvestment strategy may have been substituted with the alternative investment strategy, and that documentation of the CDHS attributes for any future hedging strategies supporting the contracts are accurate.

VM-31 Section 3.F.6.d

- d. Asset Selection – Method used and rationale for selecting the starting assets and apportioning the assets between contracts valued under VM-21 or VM-22 and those contracts that are not. In addition, demonstrate compliance with VM-21 Section 4.B.3.a, Section 4.B.4, Section 4.D.3, and Section 4.D.4.d, in addition to Section VM-22 4.B.3.a, Section 4.B.4.b, and Section 4.D.4.d by providing the following items:

- i. Template – Please fill out PBR Actuarial Report Template F located on the NAIC website (https://www.naic.org/pbr_data.htm?tab_3).
- ii. ALM Documentation - Materials explaining ALM strategy, such as duration matching within a certain range, cash flow matching, treatment for convexity, liquidity considerations, and other related items.
- iii. Inforce Management - Documentation that the company is setting crediting rates, dividend surplus contributions (participating products), or other non-guaranteed elements using asset segmentation that is consistent with the PBR and CFT models.

Guidance Note: The above requirements do not intend to review the appropriateness of NGE decisions themselves, but rather consistency of how asset segments are used in determining NGE decisions compared to models used for PBR.

Guidance Note: For the sake of meeting VM-21 and VM-22 asset segmentation requirements for guaranteed separate accounts and additional assets used to calculate the net asset earned rate, the template and documentation provided in this section can also address those disclosures, for the purposes of consolidating the report.

- iv. Investment Governance Structure – Documentation of the investment governance committee structure used to make decisions that specific subsets of assets within a portfolio support specific subsets of liabilities within that portfolio.

Guidance Note: In the event that covered business is 100% reinsured to assumed by a third-party US insurance or reinsurance company, the direct writer may not be able to provide the same level of support for items like the ALM policy and investment governance because these may be determined by the reinsurer assuming entity. Similarly non-guaranteed elements may be set based on a reference portfolio in this situation. In these cases the goal is to ensure that the assets that back the treaty (such as by being in a trust) are used in the calculation.

- v. Changes Compared to the Prior Year – Please describe any changes related to the asset selection method for VM-21 or VM-22 compared to the prior year.
- vi. Proportional Comparison – If the company assumes that a proportional slice of assets within each applicable general account and non-insulated separate account portfolio supports all liabilities and surplus assigned to that portfolio,

but this is not consistent with company management practices, for those specific portfolios, a portfolio-level comparison of the resulting reserve when selecting assets based on:

- a prorata slice of the portfolio
- in a manner consistent with company management and asset segmentation practices across business functions

vii. Certification – Provide certification as required in VM-31 Section 3.F.19.a

Items (i) through (iv) above do not need to be provided if any of the following conditions are true:

- The company values all annuity business written on or after operative date of the Valuation Manual under VM-21 or VM-22 requirements, with the exception of pre-need annuities.
- The Valuation Manual is updated to allow non-variable annuity business written between 1/1/2017 and 12/31/2025 to be valued under VM-22 requirements, and the company attests to the intention to value all annuity business written on or after operative date of the Valuation Manual under VM-21 or VM-22 requirements, with the exception of pre-need annuities, pending the effective date of such changes to the Valuation Manual.
- The company assumes that a proportional slice of assets within each applicable general account and non-insulated separate account portfolio supports all liabilities and surplus assigned to that portfolio, and such is consistent with company management and asset segmentation practices.

All disclosure requirements in this subsection are only to be provided on a post-reinsurance basis.

VM-31 Section 3.F.19.a

19. Certifications – The following certifications:

- a. Investment Officer on Investments – A certification from a duly authorized investment officer that the modeled asset portfolio allocation and investment strategy for VM-21 and VM-22, including any future hedging strategies supporting the contracts, is consistent with the company's current management practices and investment strategy except where the modeled reinvestment strategy may have been substituted with the alternative investment strategy, and that documentation of the CDHS attributes for any future hedging strategies supporting the contracts are accurate.

Life Actuarial (A) Task Force/ Health Actuarial (B) Task Force

Amendment Proposal Form*

1. Identify yourself, your affiliation and a very brief description (title) of the issue.

Fei Jiang, PBR Actuary, Texas Department of Insurance

Support for PBR expense allocation.
2. Identify the document, including the date if the document is “released for comment,” and the location in the document where the amendment is proposed:

January 1, 2027, NAIC Valuation Manual

VM-31 Section 3.D.5.a and VM-31 Section 3.F.3.c.i
3. Show what changes are needed by providing a red-line version of the original verbiage with deletions and identify the verbiage to be deleted, inserted or changed by providing a red-line (turn on “track changes” in Word®) version of the verbiage. (You may do this through an attachment.)

See attached.
4. State the reason for the proposed amendment? (You may do this through an attachment.)

Reviewers have found that PBR Reports commonly do not have sufficient detail provided on the expense allocation to reasonably review whether the company is reflecting fully allocated expenses. A new PBR Template D is created to provide the additional detail required for a complete review.

NAIC Staff Comments:

Dates: Received	Reviewed by Staff	Distributed	Considered
10/19/26	SO		
Notes: 2026-08			

VM-31 Section 3.D.5.a

- a. Allocating Expenses to PBR Policies – Methodology used to allocate expenses to the individual life insurance policies subject to a principle-based valuation under VM-20, and a statement confirming that expenses have been fully allocated in accordance with VM-20 Section 9.E.1.i. Use PBR Actuarial Report Template D located on the NAIC website (https://www.naic.org/pbr_data.htm?tab_3) to provide descriptions of each expense category, the percentage allocated to acquisition and maintenance (including overhead) by category, as well as:
- i. A description of the methodology used to determine overhead expense allocation between PBR and non-PBR business block.
 - ii. A description of the methodology used to determine acquisition and maintenance expense allocation.
 - iii. For expense categories that are not primarily associated with the acquisition of insurance contracts (e.g., HR, IT, Legal) but have been in part categorized as acquisition expense, please provide a discussion justifying this categorization, and
 - i-iv. If the categorization ratio has changed from the prior year, please provide a brief discussion outlining the nature and rationale for the change.

VM-31 Section 3.F.3.c.i

- a. Method used to allocate expenses to the contracts included in a principle-based valuation under VM-21 and VM-22 and a statement confirming that expenses have been fully allocated in accordance with VM-21, Section 12.D.1.h or VM-22 Section 12.D.1.h, as applicable. Use PBR Actuarial Report Template D located on the NAIC website (https://www.naic.org/pbr_data.htm?tab_3) to provide descriptions of each expense category, the percentage allocated to acquisition and maintenance (including overhead) by category, as well as:
- i. A description of the methodology used to determine overhead expense allocation between PBR and non-PBR business block.
 - ii. A description of the methodology used to determine acquisition and maintenance expense allocation.
 - iii. For expense categories that are not primarily associated with the acquisition of insurance contracts (e.g., HR, IT, Legal) but have been in part categorized as acquisition expense, please provide a discussion justifying this categorization, and
 - i-iv. If the categorization ratio has changed from the prior year, please provide a brief discussion outlining the nature and rationale for the change.

DRAFT 9/10/2026**AG 53 GUIDANCE DOCUMENT – YEAR-END 2025~~6~~**

Below is a request for information related to companies' asset adequacy testing that is being sent to each company filing an Actuarial Guideline 53 (AG 53) Report. The request is related to a project of the Valuation Analysis (E) Working Group (VAWG) of the National Association of Insurance Commissioners to review AG 53 analysis. The same confidentiality standards will apply to this information as applied to the Actuarial Opinion and Memorandum (AOM) for VM-30.ⁱ An Appendix is also included to provide clarifications regarding AG 53.

This guidance document ~~has no substantive changes from~~ is the same as what was provided for the prior year-end, except for the locations listed below. The changed sections are bolded and underlined for emphasis.

Section II.b Structured Asset Information by Tranche

Section V.c Template Standardization

Section V.e Template Updates

I. Sensitivity Testing

a. Initial Equity-Like Instruments – For the AG 53 Section 5.A.i(b) requirements related to sensitivity testing annual total returns on equity-like instruments, both initial assets and reinvestments should be included in the test. This is because many equity-like instruments do not have a set contractual expiration and, therefore, tend to be held rather than maturing and being reinvested (which is frequently the case for fixed income investments). The impact of this result will be provided in the Sensitivity Testing tab of the AG 53 reporting templates.

b. Sensitivity Testing Scope – If a company makes a modeling simplification to only reinvest in public, non-callable bonds but actually reinvests in more complex types of assets in real life, then the assumed investment returns in the model must be reduced to the corresponding level of public, non-callable bonds. Alternatively, if the assumed reinvestment returns are not reduced upon making this simplification, then such reinvestment types are not exempt from the sensitivity test or attribution analysis requirements in AG 53. In other words, a simplification cannot be made to call reinvestments “public, non-callable bonds” simply to get exempt from sensitivity testing and attribution analysis requirements unless the assumed returns are appropriately reduced in asset adequacy analysis.

II. Asset Information

a. Projected Portfolio Allocations – Provide the asset allocation at the end of years 5, 10, 20, and 30 in the projection for each asset type shown in the “Projected Allocations” tab of the AG 53 reporting templates, for NY1 level scenario. The purpose of collecting this information is to better understand how projected allocations change as assets are disinvested. In addition, please provide a description of any investment allocation limits assumed in the model for a specific asset class, other than cash or treasuries. For example, if a model assumes equities are sold such that equities do not exceed X% of a portfolio's total dollar amount, then provide a description of such. If there are no investment allocation limits assumed in the model, then please explicitly state that there are no investment allocation limits assumed in the model. In addition, please provide rationale if the model allows for any investment allocations to exceed limits specified in the company's investment policy and/or statutory guidance. Further, in cases where the projected portfolio allocation patterns may not logically follow from the current investment and reinvestment allocations, add narrative insight to the information found in columns D and I of the “Asset Summary” tab of the AG 53 reporting templates. Fields to collect this information will be provided in the AG 53 reporting templates. If a model projects portfolio assets at a level less granular than required in the template, please reach out to the chair of the NAIC Valuation Analysis (E) Working Group or the NAIC staff member supporting the NAIC Valuation Analysis (E) Working Group to discuss alternative options.

DRAFT 9/10/2026

b. Structured Asset Information by Tranche – **Provide initial asset information within the “Non-Traditional Assets” tab of the AG 53 reporting templates by the position in the capital structure for different exposures and rating agency credit rating for the asset types specified in the template tab**~~non-agency MBS, and ABS initial assets. For CLOs, provide this information as well as the split for securities with underlying assets that are broadly syndicated loans vs. middle market loans. For MBS, note any interest-only securities. The fields for collecting this information will be provided in the AG 53 reporting templates. Note that multiple columns are provided to capture this data by asset type, including two columns to be named by the company to separately itemize material amounts of ABS assets.~~

c. Schedule BA and Feeder Funds – On the “Non-Traditional Assets” tab in the AG 53 reporting templates, please provide a description of assets held on Schedule BA within the Annual Statement, along with a table that shows subcategorization of Schedule BA assets by amounts and percentage of total Schedule BA assets (if unable to fit in the worksheet comment box, then either add an additional tab or worksheet with this information or include it in the AG 53 report). For Collateral Loans, in the AG 53 report, disclose the assets pledged as collateral and the source for valuation to ensure compliance with statutory accounting principles. In addition, describe any feeder funds held in the company portfolio, including each fund’s asset type category, and the schedule and line on the Annual Statement where such funds are located. For the purposes of this request, feeder funds can be defined as one of several sub-funds that put all of their investment capital into an overarching umbrella fund, known as a master fund, for which a single investment advisor handles all portfolio investments and trading. This two-tiered investment structure of a feeder fund and a master fund is commonly used by hedge funds as a means of assembling a larger portfolio account by pooling investment capital. Such funds offer flexibility/customization with respect to different investors without impacting the trading of the investment portfolio. This customization may include tax status (taxable/nontaxable), ERISA status, different fee models, and/or different leverage amounts. It may also be customized to facilitate capital efficiency for regulated investors.

d. Payment In Kind – On the “Non-Traditional Assets” tab in the AG 53 reporting templates, provide commentary for which assets allow for “payment in kind” (including any in which interest is not currently paid), or those without specified cash flows. For any assets that are identified as “payment in kind”, provide commentary on the liquidity risk of such assets and how they are valued in the model, including consideration of interest cash flows potentially not being received for an extended period of time. Also include any assets in which schedule payments of principal and/or interest are not fixed and not otherwise tied to a typical interest rate index (sometimes referred to as “Structured Notes”). As applicable, please describe interactions with the company’s investment department or asset manager that helped determine the PIK-related metrics stated in the template. Also, in the section of the AG 53 Report that addresses model rigor, describe how the model captures risks associated with assets that have a payment in kind feature.

e. Non-unitized Separate Accounts – On the “Company Information” tab in the AG 53 reporting templates, provide the total amount of initial assets held in non-unitized separate accounts. This includes Index-Linked Variable Annuities (ILVAs), Registered Index-Linked Annuities (RILAs), and Pension Risk Transfer (PRT) contracts with separate accounts.

III. Reinsurance

a. ASOP 11 Disclosures – To satisfy the requirements in AG 53 Section 4.F, please explicitly provide each disclosure specified within Section 4.1 of ASOP 11 for arrangements with counterparties that do not undergo asset adequacy analysis (e.g., captives and foreign jurisdictions). If a company provides a summary of cash flow testing gross of any reinsurance (i.e., pre-reinsurance-ceded) in the AOM, then disclosures specified within Section 4.1 of ASOP 11 do not need to be provided within the AG 53 Report (note this would not exempt companies from following ASOP 11, but for the purposes of the AG 53 report, the ASOP 11 disclosures would not need to be explicitly provided for the specified arrangements).

DRAFT 9/10/2026

IV. Investment Grade Net Spread Benchmark

a. Net Spread Benchmark values – At a date to be determined, the values for initial assets in the table in Appendix I of AG 53 may be considered for adjustment based on Table F under VM-20 Current Year Tables on the [NAIC website](#). Please follow the proceedings of the Life Actuarial (A) Task Force (LATF) for discussion on this topic.

V. AG 53 Report and Templates

a. AG 53 Report Structure – AG 53 Reports should be provided in the structure of providing responses to each subsection within Sections 4 and 5 of AG 53, noting that the responses to Sections 4.A and 5.A can refer to the submitted templates but also should include additional discussion and commentary.

b. References to Full Memorandum – If the AG 53 Report relies on the AOM to provide responses to any of the subsections within Sections 4 and 5, the applicable sections of the AOM should be referenced. If the AG 53 Report references the AOM, then the AOM and supporting documentation must be provided to the VAWG through the receiving state.

c. Template Standardization – Starting at 2023 year-end, submissions of the prescribed templates are required and no edits to the structure of the templates are permitted. The templates are now password protected for cells that are not intended to be changed. No new columns or rows should be added. Comment boxes should not be moved. The asset type names should not be modified. The company shall make its best effort to map the assets to the asset types specified in the template. **Except for column headers that are intended to be customized by the company (e.g., the column header in cell F3 H3 of the “Non-Traditional Assets Attribution - Initial Assets” template tab can be changed from “[Material Other ABS Other Risk Component #1]” to a more appropriate description of an ABS asset type that has been itemized in column F of the same template tab), titles should not be changed.** In addition, the template should be submitted as an Excel template (rather than a pdf). If necessary for a company’s operations, an unlocked version of the template will be provided upon request. However, the submitted templates shall have no deviations from the official password protected templates, as specified above, unless provided permission to do so by the chair of the NAIC Valuation Analysis (E) Working Group or the NAIC staff member supporting the NAIC Valuation Analysis (E) Working Group.

d. Granularity of Templates – The company has the option to provide separate templates for each segment (i.e., portfolios and/or lines of business). If the company chooses to submit segment results, then all applicable template tabs should be completed for each segment. Regardless of whether segment results are provided, all companies must submit a single template in aggregate for the entity, across all portfolios, business lines, and segments, with all applicable template tabs completed.

e. Template Updates – ~~The templates have been updated to reflect Sections I.a, II.a c, and V.e d of this Guidance Document. The latest version of the templates file areis available on the LATF web page under the “Documents” tab. Please use the latest version when completing the templates.~~

f. Consistency with Full Memorandum – At the beginning of the AG 53 Report, provide a statement to confirm that the data and commentary provided in the AG 53 Report and Templates are consistent with what was used for the AOM. Also, describe the methods used to verify the alignment.

VI. Other

a. Simplifications, Approximations, and Modeling Efficiency Techniques – In the section of the AG 53 Report that addresses model rigor, it is emphasized that simplifications, approximations, or modeling efficiency techniques relating to the modeled assets and investment strategies compared to the company’s actual assets and

DRAFT 9/10/2026

investment strategies should not result in more favorable results than in the absence of the simplifications, approximations, and modeling efficiency techniques.

DRAFT 9/10/2026

Appendix: Clarifying Items

- i. AG 53 Applicability – This guideline applies to all blocks of business for which the Actuarial Opinion and Memorandum Requirements (i.e., VM-30) apply, subject to the requirements in Section 2 of AG 53 on scope. No types of business can be excluded from the AG 53 requirements other than those explicitly stated in the scope section. Similarly, all general account and non-unitized separate account assets supporting liabilities in Exhibits 5, 6, 7, and 8 of the Annual Statement that are reflected in the asset adequacy analysis (using cash-flow testing and other methods) should be reported to the Asset Summary template.
- ii. 3Q Valuation Date – For the purposes of complying with AG 53, either a 9/30 or a 12/31 date may be used.
- iii. Non-Unitized Separate Accounts – For the purposes of the scope section in AG 53, the definition of a non-unitized separate account is one in which benefits are declared by the insurer and are not directly related to the assets held in the separate account, such as a registered indexed-linked annuity. This contrasts with a unitized separate account, in which benefits are expressed in units whose value varies directly with the value of the separate account, such as a variable annuity.
- iv. Assets Supporting Non-US Business – The scope of AG 53 includes business written by US entities to non-US contractholders. AG 53 does not apply to any business not within the scope of the Actuarial Opinion and Memorandum Requirements (i.e., VM-30).
- v. Template Units – All submitted AG 53 template fields expressed in dollar amounts must have units reported in millions, as noted on the templates.
- vi. Section 4a Template Yields vs. Spreads – The Section 4a AG 53 templates must report the full asset yield, rather than only the investment spread over the treasury rate. For equity-like instruments, the total return (including price appreciation and dividend income) should be reported rather than only dividend income.
- vii. Asset Summary Template – An asset summary for all portfolios and applicable business in aggregate must be reported. In addition, if separate templates for specific lines of business or portfolios are submitted for the other tabs, then an asset summary for each of those lines of business or portfolios should also be submitted.
- viii. Asset Mapping – If an asset cannot be mapped to one of the named asset types, it should be mapped to “Other – Not Covered Above,” and a description should be provided in the related comment box.
- ix. Net Yield Components – All margins or Provisions for Adverse Deviations used to arrive at an assumed net asset yield should be included in the “Other” column in the Section 4a AG 53 reporting templates. Margins should also be described in the template footnote.
- x. Template Consistency – Data should be reported in a consistent manner across each template regarding categorization of asset types.
- xi. Investments Expenses (Fees) – Regarding AG 53 Section 4.E, commentary should be included in the AG 53 Report to explain how the assumed investment expenses are commensurate with the expected expenses in light of the complexity of the assets. To clarify, if an asset type is more complex, please describe whether this results in a higher investment expense assumption when compared to a less complex asset type and, if not the case, please provide rationale. Note this disclosure requirement does not refer to the allocation process of investment expenses to business lines, but rather how the level of the investment expense assumptions relates to the complexity of the assets.

DRAFT 9/10/2026

xii. Non-Publicly Traded Assets – Regarding AG 53 Section 4.D, the information provided in the AG 53 Report should be itemized appropriately for purposes of readability and review. More specifically, this refers to describing the step-by-step process to calculate and validate the valuation of non-publicly traded assets in a transparent manner in the AG 53 Report for regulators to review.

xiii. Surplus Notes, Bond ETFs, and Preferred Stock ETFs – For surplus notes, bond ETFs, and preferred stock ETFs, companies should treat these as non-equity-like instruments and report these items separately in the “Other – Not Covered Above” row (with an associated description in the textbox at the bottom of the “Asset Summary” tab). For sensitivity testing, apply all surplus notes (whether initial assets or reinvestments) to the requirements in Section 5.A.i.(a) consistent with “assets other than equity-like instruments”. However, if there is an immaterial amount of surplus notes, bond ETFs, or preferred stock ETFs held, then these assets may be grouped in the asset type row most closely associated with such assets and follow the accompanying AG 53 requirements for that asset type.

xiv. Attribution Analysis – The intent behind the attribution analysis is to provide companies an opportunity to explain the source that they believe drives any excess spreads beyond the benchmark. Especially to the extent assumed excess spreads are higher, companies are expected to reflect considerable thought in the attribution regarding the range of risks. If it appears not a lot of thought is reflected in the attribution analysis, regulators may assume the company and/or actuary does not understand why they are assuming investment returns significantly in excess of the benchmark.

ⁱ AG 53 provides uniform guidance for the asset adequacy testing, and is effective for reserves reported with respect to the Dec. 31, 2022, and subsequent annual statutory financial statements. A statement of actuarial opinion on the adequacy of the reserves and assets supporting reserves after the operative date of the Valuation Manual is required under Section 3B of the NAIC Standard Valuation Law (#820) and VM-30 of the Valuation Manual. Section 14A of Model #820 provides that actuarial opinions and related documents, including an asset adequacy analysis, are confidential information, while Section 14B provides that such confidential information may be shared with other state regulatory agencies and the NAIC. The asset adequacy analyses required under AG 53 reviewed in the preparation of this report were shared with the Valuation Analysis (E) Working Group and the NAIC in accordance with these requirements, and continue to remain confidential in nature.



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September 28, 2026

Rachel Hemphill
Chair, NAIC Life Actuarial (A) Task Force (LATF)

Re: Proposed Year-End 2026 AG 53 Guidance Document and Reporting Templates

Dear Chair Hemphill:

The American Council of Life Insurers (ACLI) appreciates the opportunity to comment on the proposed revisions to the Actuarial Guideline 53 Guidance Document and reporting templates for year-end 2026. ACLI supports the Life Actuarial Task Force's (LATF) efforts to provide regulators with useful and consistently presented information regarding the asset assumptions used in asset adequacy analysis.

ACLI understands that the revised templates are intended to apply to year-end 2026 filings. Given the timing of the exposure and the scope of the additional reporting, we respectfully recommend that LATF provide a transition period for the newly added fields and allow reasonable flexibility in completing the attribution analysis.

Transition for Newly Added Fields

Some companies may be able to implement most of the revised template for year-end 2026. Other companies, however, will need additional time to modify, test, approve, and implement the systems and modeling processes necessary to produce the new information reliably.

This concern is particularly relevant for companies that use September 30 information in performing cash flow testing. For those companies, the revised template may be finalized after the underlying asset adequacy analysis and related data processes are already underway. Implementation may require material changes to modeling, data feeds, mappings, controls, and review procedures, as well as coordination among actuarial, investment, financial reporting, asset-liability management, and technology personnel. Companies will need sufficient time to work through these implementation details.

American Council of Life Insurers | 300 New Jersey Avenue, NW, 10th Floor | Washington, DC 20001

The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 275 member companies represent 94 percent of industry assets in the United States.

To provide regulators with meaningful information for year-end 2026 while recognizing these implementation considerations, ACLI recommends that LATF add the following transition guidance:

For year-end 2026 reporting, companies should complete the newly added fields on a best efforts basis. If a company is unable to fully complete one or more fields, the company should provide a narrative description of the applicable exposures and any relevant qualitative information in lieu of complete quantitative reporting. Companies are encouraged to report as much information as reasonably available. Full completion of the new fields is expected beginning with year-end 2027 reporting.

This approach would preserve the value of the year-end 2026 submission by requiring companies to provide available quantitative information and a meaningful narrative regarding exposures for which complete data cannot reasonably be produced. At the same time, it would provide companies with an appropriate period to establish repeatable and controlled processes for the full quantitative reporting expected beginning with year-end 2027. The approach is also consistent with the current template instructions, which direct companies to use their best efforts and judgment and permit commentary explaining particular data items.

Asset Summary Presentation and Reconciliation

ACLI recommends adding a separate row to the Asset Summary sheet for “Non-Invested Assets,” including items such as negative Interest Maintenance Reserve, Policy Loans, and Deferred Tax Assets. Identifying these amounts separately would reduce the amounts included in “Other – Not Covered Above,” which should be limited to invested assets that are not captured by another specified asset category.

ACLI also recommends adding a reconciliation row to the Asset Summary sheet showing the “Total Asset Adequacy Tested Amount of Reserves” reported in the Actuarial Opinion. The amount reported in this row should match the “Total Amount” shown on the Asset Summary sheet. This reconciliation would provide a clear control for confirming that the template reflects the full scope of reserves subject to asset adequacy testing and would facilitate review by both companies and regulators.

For reference, ACLI has attached a revised version of the Asset Summary template with the suggested revisions highlighted.

Materiality

ACLI recommends that LATF clarify the role of materiality in completing the additional classifications. A materiality provision could be particularly useful for year-end 2026, when companies will be developing the data and reporting processes necessary to support the revised template.

For example, the final instructions could permit a company to retain an exposure in “Other Asset Backed Securities” or “Other – Not Covered Above” when the amount that would otherwise be reclassified is not material to the company’s asset adequacy analysis, provided the company describes the exposure in the applicable commentary field. Conversely, where the aggregate “Other” category exceeds a reasonable

materiality threshold, the company could be expected to identify and separately describe its material components.

This would be consistent with other aspects of the proposed instructions that recognize materiality. For example, the instructions allow certain yield reporting flexibility where a company holds an immaterial amount of an asset, and the existing clarifying guidance permits immaterial amounts of certain instruments to be grouped with the most closely associated asset type.

If LATF does not establish a uniform quantitative threshold, ACLI recommends permitting companies to apply a reasonable materiality standard consistent with their asset adequacy analysis and to describe that standard in the template commentary. This would focus the reporting on information that is relevant to the regulatory review while reducing unnecessary manual processing of immaterial exposures.

Attribution Analysis

The additional asset granularity may also affect the attribution reporting for initial assets and reinvestments. The revised attribution tabs request the allocation of guideline excess spread among credit risk, illiquidity risk, and other risk components for each specified asset type. Companies may need time to develop or refine methodologies capable of producing a reliable attribution analysis at the newly required level of granularity.

ACLI therefore recommends that the year-end 2026 best-efforts transition apply expressly to the attribution tabs. If a company cannot reasonably produce a complete quantitative attribution for a newly added asset category, it should be permitted to provide the quantitative information reasonably available together with a narrative explanation of the principal drivers of excess spread, the methodology used, and any limitations affecting the analysis.

This recommendation would not diminish the importance of the attribution analysis. The proposed guidance explains that the purpose of the analysis is to allow companies to describe the risks they believe drive excess spreads above the benchmark and that companies are expected to give careful consideration to the range of applicable risks. A transitional approach would help ensure that the information submitted is thoughtful and supportable rather than requiring companies to produce a more granular allocation before the necessary methodologies, data, and controls can be fully developed.

Requested Revisions

For the reasons described above, ACLI respectfully recommends that LATF:

1. *Adopt the proposed best-efforts transition language for the newly added fields for year-end 2026, with full completion expected beginning with year-end 2027.*
2. *Clarify that the transition applies to all newly added quantitative fields, including the asset classifications, the Non-Traditional Assets tab, and the related attribution reporting.*

3. *Add rows to the Asset Summary sheet that (i) separately identify Non-Invested Assets, including negative Interest Maintenance Reserve and Deferred Tax Assets, and expressly exclude those amounts from "Other – Not Covered Above"; and (ii) show the Total Asset Adequacy Tested Amount of Reserves from the Actuarial Opinion, which should reconcile to the Total Amount shown on the Asset Summary sheet.*
4. *Incorporate a reasonable materiality framework, particularly for the year-end 2026 submission, so that immaterial exposures may be reported in an appropriate "Other" category with accompanying narrative disclosure.*

ACLI believes these revisions would support LATF's objective of obtaining useful information regarding evolving asset exposures while allowing companies to implement the additional reporting in a controlled and reliable manner. The recommended approach would provide regulators with available quantitative information and meaningful qualitative descriptions for year-end 2026, followed by full reporting of the new fields beginning with year-end 2027.

ACLI appreciates LATF's consideration of these comments and would be pleased to assist with further refinements to the guidance and template instructions.

Sincerely,



Colin Masterson

CC: Scott O'Neal and Amy Fitzpatrick, NAIC

From: [Anderson, Theo](#)
To: [Fitzpatrick, Amy](#); [O'Neal, Scott](#)
Cc: [Zhu, Joshua](#); [Newton, David](#)
Subject: Comment on AG-53 Template: Potential Contradiction in Definitions
Date: Friday, September 11, 2026 11:11:04 AM
Attachments: [image.png](#)

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

To Mr. O'Neal and Ms. Fitzpatrick:

I have a comment on the AG-53 template. There is an Asset Type on the template called "Schedule BA Assets - Non-Equity-Like Instruments". However, under Section 3 - Definitions of Appendix C of Actuarial Guideline LIII (screenshot below), an "Equity-Like Instrument" is defined to include "Any [emphasis added] assets that are captured on ... Schedule BA of the annual statement". To me, this definition seems to make the "Schedule BA Assets - Non-Equity Like Instruments" category to be self-contradictory, because all assets on Schedule BA are Equity-Like Instruments by definition. I would greatly appreciate any guidance on what this category means.

AG LIII

Appendix C

Guidance Note: It is anticipated that the requirements contained in this Guideline will be incorporated into VM-30 at a future date, effective for a future valuation year. Requirements in the Guideline will cease to apply to annual statutory financial statements when the corresponding or replacement VM-30 requirements become effective.

2. Scope

This Guideline shall apply to all life insurers with:

- A. Over \$5 billion of general account actuarial reserves (from Exhibits 5, 6, 7 and 8 of the annual statement) and non-unitized separate account assets, or
- B. Over \$100 million of general account actuarial reserves (from Exhibits 5, 6, 7 and 8 of the annual statement) and non-unitized separate account assets and over 5% of supporting assets (selected for asset adequacy analysis) in the category of Projected High Net Yield Assets, as defined in Section 3.F.

Actuarial reserve amounts are included in the amounts in A and B whether directly written or assumed through reinsurance and are determined before any reinsurance ceded credit.

This Guideline applies to assets supporting liabilities tested in the asset adequacy analysis except it does not apply to unitized separate account assets or policy/contract loans.

3. Definitions

- A. Equity-Like Instruments – Assets that include the following:
 - i. Any assets that, for purposes of risk-based capital C-1 reporting, are in the category of common stock, i.e., have a 30% or higher risk-based capital charge.
 - ii. Any assets that are captured on Schedule A or Schedule BA of the annual statement.
 - iii. Bond funds.
- B. Fair Value – The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, consistent with methodology of fair value, as reported in the Annual Statement.
- C. Net Market Spread – For each asset grouping, shall mean the spread over comparable Treasury bonds that equates the fair value as of the valuation date with modeled cash flows, less the default assumption used in asset adequacy analysis.

Market conventions and other approximations are acceptable for the purposes of this definition.

Sincerely yours,

Theo Anderson
 Financial Risk Manager

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INITIAL DRAFT 9/10/2026**AG 55 GUIDANCE DOCUMENT – YEAR-END 2026**

Below is a request for information related to companies' asset adequacy testing that is being sent to each company filing an Actuarial Guideline 55 (AG 55) Report. The request is related to a project of the Valuation Analysis (E) Working Group (VAWG) of the National Association of Insurance Commissioners to review AG 55 analysis. The same confidentiality standards will apply to this information as applied to the Actuarial Opinion and Memorandum (AOM) for VM-30.ⁱ

I. Identifying Information

- a. Ceding Company Information – At the beginning of the AG 55 Report, provide the company name, NAIC company code, and the valuation year for which the analysis is performed.
- b. Business Tested for AG 55 – Within the AG 55 Report, to supplement the treaty information documented for AG 55 Section B.i.(a), provide the lines in Schedule S, Part 3, Section 1 that are associated with the business being analyzed.

II. Values

- a. Reserves and Starting Asset Amounts – For each treaty or aggregated set of treaties that are cash flow tested, provide the following table of dollar values in the “Counterparty” tab of the AG 55 reporting templates.
 - (1) Amount of U.S. statutory reserves held by the ceding company for retained business (Note: This could be calculated on a standalone basis.)
 - (2) Amount of reserves held by the assuming company, using the local jurisdiction requirements
 - (3) Amount of reserves held by the ceding or assuming company supported with Guideline Excluded Assets
 - (4) Amount of U.S. statutory reserves held by the ceding company for the liabilities in (2) if no reinsurance arrangement existed
 - (5) Pre-reinsurance Reserves: (1) + (4) (Note: This total could be calculated on a standalone basis using the assumption that the business has been recaptured.)
 - (6) Post-reinsurance Reserves: (1) + (2) – (3)
 - (7) Starting Asset Amount for the Mandatory Run
 - (8) Starting Asset Amount for the Alternative Run (if completed)
 - (9) Excess Capital included in (8) that has been identified to support the block in conditions that are beyond moderately adverse (Note: Refer to AG 55 Section 6.B.iv.(a)(4)(A) for clarification.)
 - (10) Reserve Credit for the block
 - (11) Alternative Run's Excess Capital % of Reserve Credit: (9) divided by (10)
 - (12) Any contract-specified percentage of collateralization over U.S. statutory reserve
 - (13) % Excess Capital + % Overcollateralization: (11) + (12)
 - (14) VM-22 reserve (if applicable product type)
- b. Amount of Reserves Held by the Assuming Company – Provide documentation, such as a financial statement, that supports what was itemized in the “Counterparty” tab of the AG 55 reporting templates as the Amount of reserves held by the assuming company, using the local jurisdiction requirements. If formal documentation is not available, describe the source used for the number provided.
- c. U.S. RBC With and Without the Transaction – For each treaty or aggregated set of treaties addressed in the AG 55 Report, identify and discuss the impact to the ceding company's RBC ratio. Provide a table of values, such as the following, showing how the RBC denominator and RBC ratio change when the block of business is assumed to be recaptured. If multiple sets of treaties are addressed in the AG 55 Report, perform this analysis separately for each set (i.e., turn one set “off” while leaving the others “on”). Past analysis may be used if it

INITIAL DRAFT 9/10/2026

provides relevant and representative information.

- (1) Ceding Company's RBC denominator (in millions)
- (2) Ceding Company's RBC denominator (in millions) calculated with the block of business on a pre-reinsurance basis
- (3) Ceding Company's RBC ratio
- (4) Ceding Company's RBC ratio calculated with the block of business on a pre-reinsurance basis

d. Asset Types – In the AG 55 reporting templates, complete the tabs named “Counterparty Portfolio,” “Asset Yields – Ceding,” and “Asset Yields – Assuming” using any updated asset types that are listed in the template spreadsheet for the year-end.

III. Assumptions

a. Policyholder Behavior – As part of any narrative explanations addressing AG 55 Sections 6.E and 6.F, include in the AG 55 Report how the following policyholder behavior risks are being sufficiently modeled:

- i. In a low interest rate scenario, the possibility that lapses are lower than otherwise expected as well as the consideration that the projection period is sufficiently modeled
- ii. In an up interest rate scenario, the possibility that lapses are higher than otherwise expected
- iii. For Multi-year Guaranteed Annuity products, the possibility that policyholders renew rather than lapse at the end of the initial guarantee period is different than otherwise expected
- iv. For Fixed Indexed Annuity products with guaranteed living withdrawal benefits (GLWBs), the possibility that GLWBs with a higher present value than cash value are elected more often than otherwise expected.
- v. For Fixed Indexed Annuity products with GLWBs, the possibility that GLWBs with values that increase in down interest rate scenarios are elected more than expected, triggering potential need to sell illiquid assets.

b. Assets – If applicable, narrative explanations in the AG 55 Report may reference the AG 53 Report when discussing asset assumptions or the appropriateness of model rigor to address high yielding or otherwise complex assets. Specifically, please address the following:

- i. Quality of the assets supporting the reserve held by the ceding company and the quality of the assets supporting the reserve held by the assuming company
- ii. Methods used when assets are internally valued
- iii. How asset risks are addressed in cash-flow projections
- iv. Rigor in modeling risks associated with high-yield, complex assets
- v. Support for haircuts applied when selling private/illiquid assets
- vi. Prepayment assumptions for private/illiquid assets (including those that are assumed not to be sold)
- vii. Reliance on corporate bond default rates for assets with much higher gross yields than typical corporate bonds
- viii. Dependency of reserve adequacy on high returns from complex assets
- ix. If in the AG 55 Report, the asset classification, or asset naming, is significantly different to that in the AG 55 template, please provide a discussion on the mapping of the classifications.

IV. Alternative Run

a. Starting Asset Amount – In the AG 55 Report, in accordance with AG 55 Section 6.B.iv, provide justification of the appropriateness of the Starting Asset Amount for an Alternative Run. The documentation provided should address the availability of dedicated Excess Capital in addition to the Starting Asset Amount to support conditions beyond moderately adverse conditions pursuant to AG 55 Section 6.B.iv.(a)(4)(A).

b. Availability of Excess Capital – If an Alternative Run is performed, include in the AG 55 Report the demonstration required by AG 55 Section 6.B.iv.(a)(4) that dedicated Excess Capital is available in addition to

INITIAL DRAFT 9/10/2026

the Starting Asset Amount.

V. Explanations

- a. Drivers of Reserve Reduction – If not already provided in the “Attribution” tab of the AG 55 reporting templates, provide in the AG 55 Report a narrative explanation of what is driving a decrease from the Pre-reinsurance Reserve to the Post-reinsurance reserve. If performing a full attribution is not feasible, but an attribution analysis from a previous valuation date is still representative, provide the previous attribution with appropriate notations. In any case, at a minimum, provide a list of expected drivers.
- b. Reason for Reinsurance Transaction – If the assuming company is affiliated with the ceding company and the Post-reinsurance Reserve is greater than or equal to the Pre-reinsurance Reserve, include in the AG 55 Report the reason(s) for the reinsurance transaction.
- c. Description of RBC Relief – Relating to Section II.c above, describe in the AG 55 Report what risk components (e.g., C-1, C-2, C-3) are driving the change in RBC. Include details to explain the change.
- d. Supporting Assets – In the AG 55 Report, for each treaty or aggregated set of treaties, compare and contrast the types of assets and quality of assets used to back the associated reserves vs. associated capital.
- e. Self-Support – For Multi-Year Guaranteed Annuity (MYGA) products, for disclosure only, provide a simple self-support demonstration. At a minimum, include the following in support of the MYGA product with the richest guarantee (in terms of credited rate and length of guarantee):
 - Average asset earned rate supporting MYGAs: x%
 - Guaranteed credited rate of y% for z years
 - Annual expenses as a percentage of account value, upfront and ongoing, e%
 - Explanation of whether post-guarantee period profits are relied on to achieve self support.
- f. Negative IMR – In the AG 55 Report, provide commentary on the handling of negative IMR in relation to the retained reserve and the post-reinsurance AG 55 modeling.

VI. AG 55 Templates

- a. Template Updates – The AG 55 reporting templates have been updated to reflect Sections II.a and II.d of this Guidance Document. A “versions” tab has also been included and updated to document the progression of changes. Please check for the latest version before completing the templates. The templates are available on the [LATF web page](#) under the “Documents” tab.

ⁱ AG 55 provides uniform guidance for the asset adequacy testing, and is effective for reserves reported with respect to the Dec. 31, 2025, and subsequent annual statutory financial statements. A statement of actuarial opinion on the adequacy of the reserves and assets supporting reserves after the operative date of the Valuation Manual is required under Section 3B of the NAIC Standard Valuation Law (#820) and VM-30 of the Valuation Manual. Section 14A of Model #820 provides that actuarial opinions and related documents, including an asset adequacy analysis, are confidential information, while Section 14B provides that such confidential information may be shared with other state regulatory agencies and the NAIC. The asset adequacy analyses required under AG 55 reviewed in the preparation of this report were shared with the Valuation Analysis (E) Working Group and the NAIC in accordance with these requirements, and continue to remain confidential in nature.



October 7, 2026

Rachel Hemphill, Chair
Life Actuarial (A) Task Force (LATF)
National Association of Insurance Commissioners (NAIC)

Re: [YE 2026 AG 55 Guidance Document](#) Exposure

Dear Chair Hemphill,

On behalf of the Life Valuation Committee (Committee) of the American Academy of Actuaries,¹ we appreciate the opportunity to comment on the recent exposure on the YE 2026 AG 55 Guidance Document and corresponding AG 55 template. In general, the Committee supports the additional Asset Adequacy Testing (AAT) disclosure requirements for life insurers ceding asset-intensive business to offshore reinsurers. We have additional feedback for your consideration related to risk-based capital (RBC) and the self-support demonstration, which are offered below.

General

The Committee observes that both the template and guidance address some, but not all, of the top 10 topics of regulatory interest expressed during the 2026 NAIC Summer National Meeting. For example, it may be helpful to include a discussion of the cliff risk associated with complex assets in the AG 55 report, including whether it was modeled or unmodeled, as well as the rationale.

Risk-Based Capital (RBC)

The exposure includes two sections that require RBC disclosures, Section II.c and Section V.c.

We noted that a capital analysis is not part of an asset adequacy analysis of reserves. AG 55 touches on RBC loosely in section 6.B.iv.a.4.A; however, RBC is only referenced in terms of considering capital needs in moderately adverse conditions. RBC is generally not considered in the actuarial opinion, and VM-30 does not anticipate capital discussions in the accompanying memorandum. It is also not an integral part of AG 55. As such, we feel that it is inappropriate to expand the scope of AG 55 by requesting capital information and calculations using a guidance document for an actuarial guideline. Instead, we suggest that the data be included in the RBC report with appropriate disclosures.

Self-Support Demonstration

Section V.e requires a self-support demonstration for multi-year guaranteed annuity (MYGA) products, where risks from the MYGA product with the richest guarantee are shown to be adequately defeased by supporting assets.

¹ The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For 60 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

The Committee believes that life insurers do not manage their business this granularly and that this may not be what AAT intends, where adequacy is required to be demonstrated in aggregate across all business. Self-support testing is more appropriate for pricing or profitability analysis, rather than AAT. We also believe that it is unlikely that a company will allocate assets at the product level, which may result in the use of a pro rata portion of assets that yield an average Net Asset Earned Rate (NAER) across the entire block appearing to be deficient when paired with the richest guarantee of any annuity product.

Notwithstanding this critical issue, the determination of the richest guarantee may be ambiguous. For example, is a 3-year MYGA with a 6% guaranteed crediting rate richer than a 7-year MYGA with a 5% guaranteed crediting rate?

We appreciate the opportunity to provide our feedback on this exposure. If you have any questions or would like to discuss these comments further, please contact Marie Fabienne Amisial (amisial@actuary.org), the Academy's life policy project manager.

Sincerely,

Bruce Friedland, MAAA, FSA
Member, Life Valuation Committee



Brian Bayerle
Chief Life Actuary
202-624-2169

Hans Avery
Actuary
(202) 624-2012

October 9, 2026

Rachel Hemphill
Chair, NAIC Life Actuarial (A) Task Force (LATF)

Re: 2026 AG 55 Guidance and Template Exposure

Dear Chair Hemphill:

ACLI appreciates the opportunity to comment on the exposed year-end 2026 AG 55 guidance and reporting template. We support regulators' efforts to obtain useful information regarding material asset-intensive reinsurance transactions. At the same time, we believe the proposed guidance raises several important conceptual, technical, and practical issues that should be addressed before it is finalized.

To enable practical implementation of the 2026 guidance, ACLI recommends narrowing the requests to information relevant to asset adequacy analysis, recognizing data limitations, and allowing meaningful simplifications. Broader questions regarding capital or a more comprehensive framework for reviewing these transactions should also be considered.

Role of the Appointed Actuary and capital information

Our primary conceptual concern with the guidance document is the potential introduction of a linkage between asset adequacy analysis and capital reporting. AG 55 operates through the Appointed Actuary and the asset adequacy analysis framework defined in VM-30, which addresses the adequacy of reserves under moderately adverse conditions. Requiring the Appointed Actuary to analyze and report company capital information would expand that role beyond its existing purpose and create a precedent for using actuarial opinion requirements to collect information outside the reserve framework.

Further, while the Knowledge Statements for the Appointed Actuary contemplate familiarity with elements of the RBC framework, including modeled C-3 capital requirements associated with principle-based reserves, that familiarity does not make company-wide RBC analysis part of the Appointed Actuary's opinion responsibilities. The proposed requirement that the Appointed Actuary "identify and discuss the impact to the ceding company's RBC ratio" for each treaty or aggregated set of treaties would therefore assign a new capital-reporting responsibility through a reserve adequacy framework. It

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The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 275 member companies represent 94 percent of industry assets in the United States.

may also require information and analysis extending beyond the modeled capital requirements associated with the business subject to asset adequacy analysis.

If regulators determine that additional capital information is needed related to transactions subject to AG 55 reporting, the domestic regulator already has mechanisms to obtain additional information when warranted. As such, ACLI would welcome discussions with regulators regarding the development of a practical data collection tool or follow-up process that could be used by insurance departments to obtain desired capital information, rather than incorporating additional requests into AG 55.

Self-Support disclosure

ACLI recommends removing the MYGA self-support disclosure from the guidance. Self-support is generally viewed as a product design and pricing consideration rather than a reserve adequacy consideration. The Appointed Actuary's responsibility under VM-30 is to evaluate reserve adequacy on an aggregate basis. The proposed disclosure appears to ask the Appointed Actuary to opine on a specific product or subset of contracts, rather than on the adequacy of assets supporting the liabilities subject to asset adequacy analysis as a whole. Similar to the capital-related requests, ACLI would welcome discussions regarding a targeted follow-up process or other mechanism to obtain this information when warranted, rather than incorporating the request into AG 55.

Availability of information and non-affiliated transactions

The guidance appears to assume that information regarding the assuming company will be available to the ceding company and its Appointed Actuary. However, this may not be true for non-affiliated transactions. Information such as transaction-specific reserves, excess capital, asset composition and quality, or supporting documentation may not be available from an unaffiliated reinsurer at the level contemplated by the guidance. The guidance should expressly recognize these limitations and allow the Appointed Actuary to use available information, reasonable estimates, or a description of why particular information could not be obtained.

Simplifications, frequency, and supporting guidance

ACLI recommends stronger and more explicit simplification language throughout the guidance. The standard should focus on information that is readily available and material to the regulator's review, rather than suggesting that every requested item must be produced with the same level of precision in all circumstances. Recurring analysis should also be limited when there has been no material change to the transaction, and there should be an allowance to use a narrative when cash flow testing demonstrates a significant margin of sufficiency. The guidance should allow an Appointed Actuary to rely on prior analysis, updated as appropriate for material changes in the transaction, experience, assumptions, or financial condition.

Additional considerations and technical issues

- References to VM-22 should be removed or clarified for year-end 2026. VM-22 is not yet the required valuation basis for new business, and it is unclear whether the guidance is requesting VM-22 amounts only where VM-22 applies or for business that could become subject to VM-22 in the future.
- The guidance should also clarify whether additional disclosures are expected when a regulator has accepted a Similar Memorandum. Requiring the same additional disclosures in all cases could substantially reduce the usefulness of the Similar Memorandum option as a means of avoiding duplicative work.
- The rationale and expected treatment of the excess capital, asset attribution, and alternative-run disclosures are unclear. Without a clearer explanation of what regulators are seeking to evaluate, actuaries are left with limited guidance on how to address practical implementation issues. Additional examples and clearer statements of regulatory purpose would help promote consistency across companies and improve the usefulness of the information provided.
- Similarly, the respondent is being asked to identify the reinsurer's "Excess Capital that has been identified to support the block" and included in the Starting Asset Amount for an Alternative Run. It is unclear how the respondent would determine this amount or comment on the types and quality of the assets supporting it, particularly for an unaffiliated reinsurer.

We appreciate the opportunity to comment and would welcome the opportunity to work with regulators on revisions to the guidance and on a practical reporting template or other mechanism that provides useful information without expanding the scope of the Appointed Actuary's responsibilities.

Sincerely,

The image shows two handwritten signatures in blue ink. The first signature, on the left, is 'B. Banerji' and the second signature, on the right, is 'Hans Arndt'. They are positioned side-by-side.

CC: Scott O'Neal, NAIC; Amy Fitzpatrick, NAIC

AG55 Guidance Document Exposure Questions:

1. AG55 Section 2.A states that it applies to cessions to “entities that are not required to submit a VM-30 memorandum to US state regulators”. Is the general expectation that entities that are exempt would be holding at least minimum RBC consistent with NAIC requirements? This seems consistent with AG55’s requirements for AG55 filers regarding Appropriate Excess Capital, but it is not addressed in the scope section.
2. AG55 Section 6.B.iv(a)(4) details that Appropriate Excess Capital needs to be demonstrated, to support a higher starting asset amount for the alternative run. The examples in AG55 Section 6.B.iv(c) outline that there needs to be “dedicated and available” excess capital commensurate with US RBC standards supported by non-Guideline Excluded Assets, or the starting assets would be reduced by such an appropriate capital amount for the alternative run.

Similarly, for the mandatory run, AG55 Section 6.B.iii states that when the post-reinsurance reserve held by a non-affiliate is unknown, then the considerations in 6.B.iv.(a) regarding Excess Capital should be followed.

For post-reinsurance reserves that are either held by an affiliate or held by a non-affiliate and are known, when there is known to not be Appropriate Excess Capital, commensurate with US RBC standards supported by non-Guideline Excluded Assets, should this be reflected in the level of the starting assets for the mandatory run?

3. Expanding on #2, how would “voluntary reserves” (reserves held by the reinsurer that exceed the minimum requirements generally for the assuming jurisdiction) be factored into the starting asset level for the mandatory run? Under AG55 Section 3.H, are these considered part of the “post-reinsurance reserve” or not? How is this determination impacted by whether holding these additional reserves reduce or eliminate the need for any supporting capital for the block at the reinsurer?

Thank you.

Rachel Hemphill, Ph.D., FSA, FCAS, MAAA

Life Chief Actuary

Financial Regulation Division - Actuarial