

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.

Identification:

Matt Cheung, Illinois Department of Insurance

Title of the Issue:

Clarify that variable annuities in payout phase, either after annuitization or account value depletion, can be reserved for as a variable annuity under VM-21 with domiciliary commissioner approval. If reserved for under VM-21, the Standard Projection Amount requirements apply to these contracts.

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:

- 2026 Valuation Manual, Section II Reserve Requirements Subsection 2: Annuity Products
- 2026 Valuation Manual, VM-21 Requirements Section 6.C.9

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.)

There is a diversity of practice currently of how variable annuities in payout are reserved for, and this APF serves to clarify that they can either be treated as variable annuities (which is the same treatment they had prior to annuitization/account value depletion, with domiciliary commissioner approval), or as fixed annuities.

Dates: Received	Reviewed by Staff	Distributed	Considered
9/25/2025	JR		
Notes: APF 2025-14			

Subsection 2: Annuity Products

- A. This subsection establishes reserve requirements for all contracts classified as annuity contracts as defined in SSAP No. 50 in the AP&P Manual.
- B. Minimum reserve requirements for variable annuity (VA) contracts and similar business, specified in VM-21, Requirements for Principle-Based Reserves for Variable Annuities, shall be those provided by VM-21. The minimum reserve requirements of VM-21 are considered PBR requirements for purposes of the *Valuation Manual*, and therefore are applicable to VM-G.
- C. Minimum reserve requirements for non-variable annuity contracts issued prior to 1/1/2026 are those requirements as found in VM-A, VM-C, and VM-V as applicable, with the exception of the minimum requirements for the valuation interest rate for single premium immediate annuity contracts, and other similar contracts, issued after Dec. 31, 2017, including those fixed payout annuities emanating from host contracts issued on or after Jan. 1, 2017, and on or before Dec. 31, 2017. The maximum valuation interest rate requirements for those contracts and fixed payout annuities are defined in VM-V, Statutory Maximum Valuation Interest Rates for Formulaic Reserves.

Minimum reserve requirements for non-variable annuity contracts issued on 1/1/2026 and later are those requirements as found in VM-22, with the exception of Preneed Annuities, Guaranteed Investment Contracts, Synthetic Guaranteed Investment Contracts, Funding Agreements, and other Stable Value Contracts which shall follow the requirements found in VM-A, VM-C, and VM-V. Minimum reserve requirements for fixed payout annuities resulting from the exercise of settlement options or annuitizations of host contracts, as well as fixed income payment streams attributable to guaranteed living benefits associated with deferred annuity contracts with guaranteed living benefits once the contract funds are exhausted, are those requirements as found in VM-22, with the exception that, with the permission of the domiciliary commissioner, the company may use the same maximum valuation interest rate used to value payment streams in accordance with the guidance applicable to the host contract. The minimum reserve requirements of VM-22 are considered PBR requirements for purposes of the *Valuation Manual*, and therefore are applicable to VM-G.

VA contracts in payout phase, regardless of how they are administered, can be reserved for under VM-21 with domiciliary commissioner approval.

VM-21: Requirements for Principles-Based Reserves for Variable Annuities

Section 6: Requirements for the Additional Standard Projection Amount

C. Prescribed Assumptions

9. Mortality

The mortality rate for a contract holder with age x in year $(2012 + n)$ shall be calculated using the following formula, where q_x denotes mortality from the 2012 IAM Basic Mortality Table multiplied by the appropriate factor (F_x) from Table 6.9 and $G2_x$ denotes mortality improvement from Projection Scale G2:

$$q_x^{2012+} = q_x^{2012}(1 - G2_x)^n * F_x$$

Table 6.9

Attained Age (x)	F _x for VA with GLB <u>and</u> <u>VA in payout phase</u>		F _x for VA without GLB and with roll-up GDB		F _x for All Other	
	Male	Female	Male	Female	Male	Female
<=52	100%	95%	160%	150%	110%	105%
53	99%	95%	160%	152%	110%	106%
54	98%	95%	160%	154%	110%	107%
55	97%	95%	160%	156%	110%	108%
56	96%	95%	160%	158%	110%	109%
57	95%	95%	160%	160%	110%	110%
58	93.5%	93.5%	160%	160%	109%	109%
59	92%	92%	160%	160%	108%	108%
60	90.5%	90.5%	160%	160%	107%	107%
61	89%	89%	160%	160%	106%	106%
62	88%	88%	160%	160%	105%	105%
63	89%	88%	160%	159%	105%	104%
64	90%	88%	160%	158%	105%	103%
65	91%	88%	160%	157%	105%	102%
66	92%	88%	160%	156%	105%	101%
67	93%	88%	160%	155%	105%	100%
68	95%	90%	160%	154%	107%	101.5%
69	97%	92%	160%	153%	109%	103%
70	99%	94%	160%	152%	111%	104.5%
71	101%	96%	160%	151%	113%	106%
72	103%	98%	160%	150%	115%	108%
73	103.5%	99.5%	158%	149%	115%	109%
74	104%	101%	156%	148%	115%	110%
75	104.5%	102.5%	154%	147%	115%	111%
76	104.5%	103.5%	152%	146%	115%	112%
77	105%	105%	150%	145%	115%	113%
78	106.5%	106.5%	147%	143%	115%	113.5%
79	108%	108%	144%	141%	115%	114%
80	109.5%	109.5%	141%	139%	115%	114.5%
81	111%	111%	138%	137%	115%	114.5%
82	113%	113%	135%	135%	115%	115%
83	113%	113%	132%	132%	114.5%	114.5%
84	113%	113%	129%	129%	114%	114%
85	113%	113%	126%	126%	113.5%	113.5%
86	113%	113%	123%	123%	113.5%	113.5%
87	113%	113%	120%	120%	113%	113%
88	113%	113%	119%	119%	113%	113%
89	113%	113%	118%	118%	113%	113%
90	113%	113%	117%	117%	113%	113%
91	113%	113%	113%	116%	113%	113%
92	113%	113%	115%	115%	113%	113%
93	112.5%	112.5%	114%	114%	112.5%	112.5%
94	112%	112%	113%	113%	112%	112%
95	111.5%	111.5%	112%	112%	111.5%	111.5%
96	111%	111%	111%	111%	111%	111%
97	110%	110%	110%	110%	110%	110%

98	109%	109%	109%	109%	109%	109%
99	108%	108%	108%	108%	108%	108%
100	107%	107%	107%	107%	107%	107%
101	106%	106%	106%	106%	106%	106%
102	105%	105%	105%	105%	105%	105%
103	103.0%	103.0%	103.0%	103.0%	103.0%	103.0%
104	101.0%	101.0%	101.0%	101.0%	101.0%	101.0%
>=105	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%