

If a company has the option to elect VM-22 requirements instead of pre-PBR CARVM requirements for a group of contracts, then:

1. What are types of potential evaluation criteria for explaining the reserve impact and drivers, and how frequently should these be provided?
2. Should there be a one-time option to implement or could companies implement at future points?
3. How should testing be designed to address aggregation impacts on business already valued under VM-22 requirements?
4. If a portfolio supports both VM-22 business and pre-PBR CARVM business, what requirements would help address concerns of intentionally allocating assets to achieve lower reserves?
5. How can AG 53-type asset documentation be used in disclosures and evaluation criteria?
6. When and how could the NAIC Valuation Analysis (E) Working Group be involved in the review process?

ACLI Proposal on Inforce Applicability of VM-22

1. Overview

- a. VM-A/C/V is the default option.
- b. VM-22 may be elected with domestic regulator notification and review.
- c. The election may be done at a policy form level, and supporting analyses may be performed in aggregate where appropriate.
- d. Once an election to move to VM-22 has been made and not rejected, the election cannot be reversed.

2. Evaluation Criteria for VM-22 election

- a. If the company does not elect to apply VM-22 and maintains all business on VM-A/C/V, no additional analysis is required.
- b. For policy forms where the company elects to apply VM-22, the company will demonstrate the reasonability of assumptions consistent with VM-31 Section 3.F.3.
- c. If the company elects to apply VM-22 for some policy forms, for VM-A/C/V policy forms where the company does not elect to apply VM-22 but otherwise would be in scope of VM-22, the company will perform a one-time demonstration of the appropriateness of the reserves, which may be done on an aggregate basis, using any of the following criteria:
 - i. Materiality threshold (TBD);
 - ii. Exclusion testing (TBD);
 - iii. Demonstration of reserve adequacy; or
 - iv. Other reasonable quantitative testing currently defined within VM-22.

3. VM-22 implementation timeline

- a. The company will notify their domestic regulator of the intent to elect to apply VM-22 to some/all policy forms by some specified time (TBD).
- b. The company will provide the VM-22 analysis and VM-A/C/V analysis to their domestic regulator by some specified time (TBD).
- c. The domestic regulator will have time to review submitted materials and determine if they reject the company's election (TBD).
- d. If the domestic regulator rejects the election, the company may remedy the concerns raised and resubmit the VM-22 analysis and VM-A/C/V analysis for additional regulatory review.