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. <u>Ceding Company Information</u> – 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. <u>Business Tested for AG 55</u> – 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. <u>Reserves and Starting Asset Amounts</u> – 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. <u>Amount of Reserves Held by the Assuming Company</u> – 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>U.S. RBC With and Without the Transaction</u> – 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 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 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.