

MEETING MATERIALS PACKET

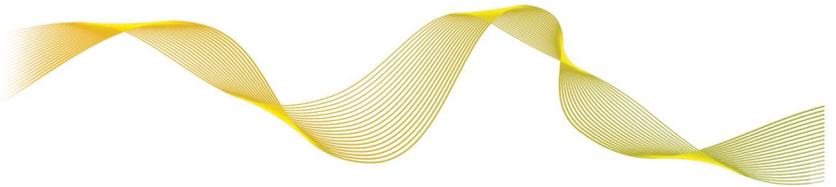
LIFE ACTUARIAL (A) TASK FORCE

March 21-22 2026

NAIC SPRING NATIONAL MEETING



2026 SPRING NATIONAL MEETING  
SAN DIEGO, CA



Draft date: 3/9/26

*2026 Spring National Meeting  
San Diego, California*

**LIFE ACTUARIAL (A) TASK FORCE**

Saturday, March 21, 2026

8:00 a.m. – 4:30 p.m.

Manchester Grand Hyatt—Grand Hall D—Level 1

Sunday, March 22, 2026

8:00 – 10:00 a.m.

Manchester Grand Hyatt—Grand Hall D—Level 1

**ROLL CALL**

**NAIC Member**

Amanda Crawford, Chair  
Scott A. White, Vice Chair  
Mark Fowler  
Heather Carpenter  
Peter M. Fuimaono  
Ricardo Lara  
Joshua Hershman  
Trinidad Navarro  
Ann Gillespie  
Holly W. Lambert  
Doug Ommen  
Vicki Schmidt  
Marie Grant  
Grace Arnold  
Angela L. Nelson  
Eric Dunning  
Ned Gaines  
Susan Ochs  
Kaitlin Asrow  
Remedio C. Mafnas  
Judith L. French  
Glen Mulready  
TK Keen  
Michael Humphreys  
Carter Lawrence  
Jon Pike

**Representative**

Rachel Hemphill  
Craig Chupp  
Sanjeev Chaudhuri  
Sharon Comstock  
Elizabeth Perri  
Ahmad Kamil  
Wanchin Chou  
Charles Santana  
Matt Cheung  
Scott Shover  
Mike Yanacheak  
Nicole Boyd  
Nour Benchaaboun  
Fred Andersen  
William Leung  
Michael Muldoon  
Maile Campbell  
Seong-min Eom  
William B. Carmello  
Maryann Borja-Arriola  
Peter Weber  
Andy Schallhorn  
Tashia Sizemore  
Steve Boston  
Eric Scott  
Tomasz Serbinowski

**State/Territory**

Texas  
Virginia  
Alabama  
Alaska  
American Samoa  
California  
Connecticut  
Delaware  
Illinois  
Indiana  
Iowa  
Kansas  
Maryland  
Minnesota  
Missouri  
Nebraska  
Nevada  
New Jersey  
New York  
Northern Mariana Islands  
Ohio  
Oklahoma  
Oregon  
Pennsylvania  
Tennessee  
Utah



NAIC Committee Support: Scott O’Neal/Jennifer Frasier

## AGENDA

### Saturday, March 21, 2026

- |                         |   |
|-------------------------|---|
| 8:00 – 8:05 a.m.        | 1. Consider Adoption of its Minutes and Written Subgroup Reports<br>— <i>Rachel Hemphill (TX)</i>   |
| 8:05 – 8:40 a.m.        | 2. Discuss the Work of the Valuation Manual (VM)-22 (A) Subgroup<br>— <i>Ben Slutsker (MN)</i><br>A. Discuss Comments on the Aggregation, Settlement Options,<br>and Deposit-Type Contracts<br>B. Consider Adoption of the VM-22 (A) Subgroup Report                          |
| 8:40 – 9:30 a.m.        | 3. Discuss Comments on the Inforce Application of VM-22,<br>Requirements for Principle-Based Reserves for Non-Variable<br>Annuities— <i>Ben Slutsker (MN)</i>   |
| 9:30 – 9:45 a.m.        | Break   |
| 9:45 – 10:15 a.m.       | 4. Discuss the Work of the Experience Reporting (A) Subgroup<br>— <i>Fred Andersen (MN)</i><br>A. Consider Re-Exposure of Amendment Proposal Form (APF)<br>2024-12 (Group Annuity Data Collection)<br>B. Consider Adoption of the Experience Reporting (A) Subgroup<br>Report |
| 10:15 – 10:45 a.m.      | 5. Consider Adoption of the Generator of Economic Scenarios (GOES)<br>(E/A) Subgroup Report— <i>Mike Yanacheak (IA)</i>   |
| 10:45 – 11:15 a.m.      | 6. Consider Adoption of APF 2025-16 (Reinvestment Guardrail)<br>— <i>Rachel Hemphill (TX)</i><br>A. Hear Summary of Impact Testing— <i>Hans Avery (American<br/>Council of Life Insurers—ACLI)</i><br>B. Hear Results of Model Office Testing— <i>Scott O’Neal (NAIC)</i>     |
| 11:15 a.m. – 12:15 p.m. | 7. Hear an Update from the Society of Actuaries (SOA) on the<br>Development of a new Valuation Basic Table (VBT)<br>— <i>Mary Bahna-Nolan (SOA)</i>   |
| 12:15 – 1:45 p.m.       | Lunch   |
| 1:45 – 2:15 p.m.        | 8. Consider Formation of a Non-Forfeiture Drafting Group<br>— <i>Rachel Hemphill (TX)</i>   |



- 2:15 – 3:05 p.m. 9. Consider Exposure of APF 2026-01 (Pension Risk Transfer Reinvestment Guardrail) and Discuss Principles Developed by the American Academy of Actuaries (Academy)—*Seong-min Eom (NJ) and Andrew Jenkins (Academy)*
- 3:05 – 3:20 p.m. 10. Consider Exposure of APF 2026-02 Interest Maintenance Reserve (IMR) Reference Consistency—*Rachel Hemphill (TX)*
- 3:20 – 3:35 p.m. Break
- 3:35 – 4:00 p.m. 11. Consider Re-Exposure of APF 2023-10 (VM-20 Stochastic Reserve Discount Rates)—*Dave Neve (Academy)*
- 4:00 – 4:15 p.m. 12. Discuss Errata Process for *Valuation Manual* Grammar and Reference Error Corrections—*Scott O’Neal (NAIC)*
- 4:15 – 4:30 p.m. 13. Consider Adoption of APF 2025-17 (VM-20, Requirements for Principle-Based Reserves for Life Insurance Stochastic Reserve Aggregation)—*Rachel Hemphill (TX)*

**Sunday, March 22, 2026**

- 8:00 – 8:20 a.m. 14. Hear an Update on SOA Research and Education—*R. Dale Hall (SOA)*
- 8:20 – 8:35 a.m. 15. Hear an Update from the Academy Council on Professionalism and Education—*Laura Hanson (Actuarial Standards Board—ASB), Linda Lankowski (Committee on Qualifications), and William Hines (Actuarial Board for Counseling and Discipline—ABCD)*
- 8:35 – 8:50 a.m. 16. Hear an Update from the Academy Life Practice Council—*Amanda Barry-Moilanen (Academy)*
- 8:50 – 9:00 a.m. 17. Hear an Update on the Artificial Intelligence (AI) Systems Evaluation Tool Pilot—*Miguel Romero (NAIC)*
- 9:00 – 9:20 a.m. 18. Consider Exposure of APF 2026-03 (VM-22 SPA Dynamic Lapse Formula)—*Elaine Lam (CA)*
- 9:20 – 10:00 a.m. 19. Discuss Any Other Matters Brought Before the Task Force—*Rachel Hemphill (TX)*
- 10:00 a.m. Adjournment

Agenda Item 1  
Consider Adoption of its Minutes  
and Written Subgroup Reports

Draft: 3/12/26

Life Actuarial (A) Task Force  
Virtual Meeting  
February 26, 2026

The Life Actuarial (A) Task Force met Feb. 26, 2026. The following Task Force members participated: Amanda Crawford, Chair, represented by Rachel Hemphill (TX); Scott A. White, Vice Chair, represented by Craig Chupp (VA); Heather Carpenter represented by Sharon Comstock (AK); Mark Fowler represented by Sanjeev Chaudhuri (AL); Peter M. Fuimaono represented by Elizabeth Perri (AS); Ricardo Lara represented by Ahmad Kamil (CA); Joshua Hershman represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak and Kevin Clark (IA); Ann Gillespie represented by Matt Cheung (IL); Vicki Schmidt represented by Nicole Boyd (KS); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Susan Ochs represented by Seong-min Eom and David Wolf(NJ); Kaitlin Asrow represented by William B. Carmello (NY); Judith L. French represented by Peter Weber (OH); Carter Lawrence represented by Eric Scott (TN); and Jon Pike represented by Tomasz Serbinowski (UT).

1. Adopted APF 2025-12

Hemphill introduced amendment proposal form (APF) 2025-12, which adds additional requirements and disclosures related to the *Valuation Manual* (VM)-22: Requirements for Principle-Based Reserves for Non-Variable Annuities standard projection amount (SPA). Brian Bayerle (American Council of Life Insurers—ACLI) spoke to the ACLI’s comment letter, noting a concern that certain assumptions embedded in the VM-22 SPA may be more out of date than the most recently available industry data thus making the VM-22 SPA less useful as a benchmark. Slutsker said there are limitations with the VM-22 SPA, but regulators are concerned that companies could use data that has little credibility. Therefore, Slutsker said that the SPA is set up as a floor with a buffer to recognize the limitations of the SPA. Hemphill said that this discussion emphasizes the need to keep the VM-22 SPA assumptions up to date.

Slutsker made a motion, seconded by Cheung, to adopt APF 2025-12 (Attachment A). The motion passed unanimously.

2. Reported that it Met in Regulator-to-Regulator Session

Hemphill reported that the Task Force met Feb. 19 and Feb. 12 in regulator-to-regulator session pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings, to discuss the Interstate Insurance Product Regulation Commission’s (Compact’s) filing information notice (FIN) 2025-2 related to nonforfeiture requirements with the Compact and other companies.

3. Exposed a Question on the Formation of a Nonforfeiture Drafting Group

Hemphill exposed a question that asks if the Task Force should form a drafting group to consider clarifications to nonforfeiture, including the calculation and amortization of the initial expense allowance for variable universal life (VUL) and indexed universal life (IUL), and if there are are other nonforfeiture clarifications that a drafting group should consider for a 14-day public comment period ending March 12.

4. Heard Comments on Compact FIN 2025-2

Bayerle spoke to the ACLI's comment letter, first providing background on the Task Force's adoption of APF 2024-16, which clarified the nonforfeiture treatment for universal life policies with cash values based on multiple sets of guarantees. Bayerle asked the Task Force to clarify the intent of APF 2024-16, as there appears to be a disconnect between that guidance and the Compact's FIN 2025-2. Bayerle noted concerns with FIN 2025-2, including: 1) potential retrospective application of the guidance; 2) application of the guidance to VUL products; and 3) potential conflicts with *Actuarial Guideline XXXVI—The Application of the Commissioners Reserve Valuation Method to Equity Indexed Life Insurance Policies* (AG 36).

Katie Campbell (Compact) provided an update on the FIN 2025-2, noting that: 1) the Compact has taken into consideration feedback that they have received from interested parties; 2) VUL will no longer be included in FIN 2025-2; 3) additional clarification will be added regarding the application to indexed accounts; 4) the Compact is seeking additional guidance from the Task Force regarding *Actuarial Guideline XXIV: Guidelines for Variable Life Nonforfeiture Values* (AG 24) and the amortization of the expense allowance for nonforfeiture purposes; and |5) the Compact will work on the revisions with the companies that had questions about FIN 2025-2.

#### 5. Discussed Revisions to the Annual Statement Blanks and Instructions

Amy Fitzpatrick (NAIC) walked through a series of revisions that had been made to the NAIC annual statement blanks and instructions to address recommendations from the Variable Annuities Capital and Reserve (E/A) Subgroup for VM-21, Requirements for Principle-Based Reserves for Variable Annuities, and changes needed for the adoption of VM-22. Fitzpatrick noted that the Task Force had received comments from the ACLI, the American Academy of Actuaries (Academy), and John Blocher, which were incorporated into the revisions. After some discussion, Hemphill noted that the revisions would be exposed by the Blanks (E) Working Group during its March 5 meeting.

Having no further business, the Life Actuarial (A) Task Force adjourned.

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Draft: 2/27/26

Life Actuarial (A) Task Force  
Virtual Meeting  
February 5, 2026

The Life Actuarial (A) Task Force met Feb. 5, 2026. The following Task Force members participated: Amanda Crawford, Chair, represented by Rachel Hemphill (TX); Scott A. White, Vice Chair, represented by Craig Chupp (VA); Heather Carpenter represented by Sharon Comstock (AK); Mark Fowler represented by Sanjeev Chaudhuri (AL); Peter M. Fuimaono represented by Elizabeth Perri (AS); Ricardo Lara represented by Ahmad Kamil (CA); Joshua Hershman represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak and Kevin Clark (IA); Ann Gillespie represented by Matt Cheung (IL); Vicki Schmidt represented by Nicole Boyd (KS); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Susan Ochs represented by Seong-min Eom and David Wolf (NJ); Kaitlin Asrow represented by William B. Carmello (NY); Judith L. French represented by Peter Weber (OH); Carter Lawrence represented by Eric Scott (TN); and Jon Pike represented by Tomasz Serbinowski (UT).

1. Discussed the PRT Reinvestment Guardrail Proposal

Eom provided background on a proposal to revise the Valuation Manual (VM)-22: Requirements for Principle-Based Reserves for Non-Variable Annuities reinvestment guardrail for pension risk transfer (PRT) products. Eom said that due to the long-duration nature of the PRT business, companies tend to allocate more of their supporting asset portfolios to less liquid assets that typically earn a higher yield relative to more liquid assets. Eom added that due to additional regulations from the U.S. Department of Labor (DOL) around PRT business, there is additional control over the asset allocation. The level of conservatism present in the guardrail has incentivized companies to reinsure PRT business to offshore entities where alternative regulatory systems allow for greater reinvestment return assumptions. Therefore, due to these factors, Eom had proposed revising the reinvestment guardrail for PRT products to allow for an additional illiquidity spread and requested comments on this proposal.

Bruce Friedland (American Academy of Actuaries—Academy) provided a summary of the Academy’s comment letter, noting that: 1) if the Task Force decides that the guardrail should be revised for PRT business, then it should also be revised for business with a similar risk profile; 2) distinct guardrail assumptions might be warranted by company depending on their assets, reinvestment strategies, and risk management practices; 3) the proposal should clarify that the illiquidity spread should only be recognized to the extent it would be realized under a moderately adverse environment; 4) support should be provided for the illiquidity spread in the VM-31: PBR Actuarial Report Requirements for Business Subject to a Principle-Based Valuation principle-based reserving (PBR) actuarial reports; and 5) principles could be developed to help determine whether and how much illiquidity spread should be allowed.

Hemphill supported the Academy’s suggestion for justification of the illiquidity spread in company PBR actuarial reports and asked how long it would take the Academy to develop illiquidity spread recognition principles. After discussion, Friedland said that they could be prepared for discussion at the upcoming Spring National Meeting.

Cheung asked if the illiquidity spread would apply to all assets or only to less liquid or illiquid assets. Friedland said that the Academy would discuss this and provide a response.

Hans Avery (American Council of Life Insurers—ACLI) said that the comments in the ACLI’s letter largely aligned with the Academy’s comments and highlighted that other products with similar risk profiles may warrant this consideration. Eom stated that she wanted to focus first on PRT products. Andersen agreed with Eom, noting that

VM-22 was expected to reduce reserves and that state insurance regulators wanted to understand the impact of the new framework before moving on to more products. Yanacheak said that he had difficulty starting with the PRT product, given that some blocks are in payout and other blocks have significant options available to retirees. Serbinowski agreed and asked for a clear explanation of what makes PRT different and why it should have distinct treatment. Eom said that this could be part of the justification required for companies to be able to take the illiquidity spread.

Clark said that he did not understand why the proposal changed the reinvestment asset mix to be fully allocated in BBB-rated assets. Clark noted that the change seemed more like a change in risk appetite rather than resulting from any differences in the liquidity of the assets. Eom noted that BBB asset allocation plus the liquidity spread would serve as a floor. Wolf added that by allocating the reinvestment assets to BBB, it would obtain the desired spread over time even as spreads widen or narrow. Yanacheak said that some companies have reported that the proposed guardrail would no longer constrain and, therefore, would just use their actual reinvestment strategy. He asked why the guardrail should not just be removed. Hemphill said that it can be useful to have guardrails that are not often constraining. Andersen agreed and noted that in his review of *Actuarial Guideline LIII, Application of the Valuation Manual for Testing the Adequacy of Life Insurer Reserves (AG 53)*, he had seen reinvestment return assumptions in excess of the proposed guardrail.

Eom said that she could work on drafting a more refined proposal after hearing the feedback today.

## 2. Discussed APF 2023-10 (VM-20 Stochastic Reserve Discount Rate)

Brian Bayerle (ACLI) spoke to the ACLI's comment letter on the exposure of amendment proposal form (APF) 2023-10, which would revise the VM-20: Requirements for Principle-Based Reserves for Life Products stochastic reserve (SR) discount rate to use the net asset earned rate (NAER) or the direct iteration method (DIM). Bayerle said that the ACLI was generally supportive of the changes but had some concerns that the proposed language could lead to inconsistencies in the results companies would see when using either the NAER or DIM method. Bayerle said the specific concern was with language that differed from that found in APF 2023-10 and VM-21, Requirements for Principle-Based Reserves for Variable Annuities.

David Neve (Academy) asked whether the ACLI's concerns would be addressed if the language in APF 2023-10 were revised to mirror that of VM-21. Bayerle responded that it likely would, but that the ACLI would need more time to review.

Hemphill asked the ACLI to organize a call between its members and the Academy to resolve their concerns and come up with a revised proposal for consideration at the Spring National Meeting. Bayerle and Neve agreed.

## 3. Exposed Revisions to Annual Statement Blanks and Instructions

Amy Fitzpatrick (NAIC) walked through a series of revisions that had been made to the NAIC annual statement blanks and instructions to address recommendations from the Variable Annuities Capital and Reserve (E/A) Subgroup for VM-21, Requirements for Principle-Based Reserves for Variable Annuities, and changes needed for the adoption of VM-22. Hemphill exposed the annual statement blanks and instructions revisions for a 21-day public comment period ending Feb. 25.

Having no further business, the Life Actuarial (A) Task Force adjourned.

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Draft: 2/24/26

Life Actuarial (A) Task Force  
Virtual Meeting  
January 29, 2026

The Life Actuarial (A) Task Force met Jan. 29, 2026. The following Task Force members participated: Cassie Brown, Chair, represented by Rachel Hemphill (TX); Scott A. White, Vice Chair, represented by Craig Chupp (VA); Heather Carpenter represented by Sharon Comstock (AK); Mark Fowler represented by Sanjeev Chaudhuri (AL); Peter M. Fuimaono represented by Elizabeth Perri (AS); Ricardo Lara represented by Ahmad Kamil (CA); Joshua Hershman represented by Wanchin Chou (CT); Doug Ommen represented by Mike Yanacheak (IA); Ann Gillespie represented by Matt Cheung (IL); Holly W. Lambert represented by Scott Shover (IN); Vicki Schmidt represented by Nicole Boyd (KS); Marie Grant represented by Nour Benchaaboun (MD); Grace Arnold represented by Fred Andersen and Ben Slutsker (MN); Kaitlin Asrow represented by William B. Carmello (NY); Judith L. French represented by Peter Weber (OH); Glen Mulready represented by Andy Schallhorn (OK); and Carter Lawrence represented by Eric Scott (TN).

1. Adopted its 2025 Fall National Meeting Minutes

Chupp made a motion, seconded by Yanacheak, to adopt the Task Force’s 2025 Fall National Meeting minutes (*see NAIC Proceedings – Fall 2025, Life Actuarial (A) Task Force*) with an editorial correction. The motion passed unanimously.

2. Adopted APF 2025-15

Hemphill introduced amendment proposal form (APF) 2025-15, which updates *Valuation Manual* (VM)-20, Requirements for Principle-Based Reserves for Life Insurance, to use NAIC designation categories for credit rating mappings instead of table K. Hemphill explained that the reliance on NAIC designation categories and the removal of table K would eliminate a duplicative credit rating mapping system along with associated inconsistencies. She said that an editorial change had been made to APF 2025-15 based on informal feedback from the American Academy of Actuaries (Academy) to reference the NAIC annual statement instructions for Schedule D.

Chupp made a motion, seconded by Weber, to adopt APF 2025-15 (Attachment A). The motion passed unanimously.

3. Exposed APF 2025-12

Hemphill discussed APF 2025-12, which enhances the VM-22, Requirements for Principle-Based Reserves for Non-Variable Annuities, additional standard projection amount (ASPA) disclosures and assumption credibility requirements.

Slutsker made a motion, seconded by Benchaaboun, to expose APF 2025-12 for a 21-day public comment period ending Feb. 18. The motion passed unanimously.

4. Discussed Valuation Manual Editorial Corrections

Scott O’Neal (NAIC) walked through a series of proposed editorial revisions, reference changes, and error corrections to be made to the 2026 *Valuation Manual*. Hemphill said that these edits fell below the “non-substantive” threshold and that in the past these types of revisions had been made without using an APF. However, Hemphill noted that she wanted to hear if there was any objection to making these revisions without

drafting an APF. Mathew Eberhardt (Oliver Wyman) asked whether these revisions had been identified by humans or if an artificial intelligence (AI) tool had been employed. Hemphill responded that these revisions had been identified after a manual review.

Brian Bayerle (American Council of Life Insurers—ACLI) noted that while he did not have any immediate concerns with the edits that had been described, he suggested that these edits be logged on the NAIC website in case there is an unintended consequence of the changes. Hemphill and O’Neal agreed to come up with a proposal for how the revisions could be logged on the NAIC’s website and bring it back to a public meeting of the Task Force. No Task Force member or interested party objected to making the revisions to the 2026 *Valuation Manual*.

#### 5. Discussed Request to Join the Compact’s Product Standards Committee

Weber reminded Task Force members of a request for state insurance regulators to join the Interstate Insurance Compact’s (Compact’s) Product Standards Committee.

Having no further business, the Life Actuarial (A) Task Force adjourned.

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March 6, 2026

**From:** Pete Weber, Chair  
The Variable Annuities Capital and Reserve (E/A) Subgroup

**To:** Rachel Hemphill, Chair  
The Life Actuarial (A) Task Force

**Subject:** The Report of the Variable Annuities Capital and Reserve (E/A) Subgroup (VACR SG) to the Life Actuarial (A) Task Force

The VACR SG met Feb. 11, 2026, in joint session with the Life Risk-Based Capital (E) Working Group, to discuss comments that were received on the re-exposure of the proposed changes to the C-3 Phase I/C-3 Phase II framework as well as discussing an updated proposal for the framework. The Working Group and VACR SG also discussed comments that were received on the exposure of the proposed scope clarification of variable annuity contracts in the payout phase (APF 2025-14 and RBC Proposal Form 2025-17-L) as well as discussing an updated proposal for APF 2025-14.

The updated proposals for both the C-3 Phase I/C-3 Phase II framework and APF 2025-14 were re-exposed for a 23-day public comment period ending Mar. 6, 2026. They were re-exposed with the intention to discuss comments at the upcoming Working Group session at the NAIC's Spring National Meeting. The exposure period has been extended to Mar. 10, 2026. Additionally, the Working Group and VACR SG adopted the minutes from Oct. 31, 2025 joint call.

Draft: 3/2/26

Life Risk-Based Capital (E) Working Group  
and Variable Annuities Capital and Reserve (E/A) Subgroup  
Virtual Meeting  
February 11, 2026

The Life Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task met Feb. 11, 2026, in joint session with the Variable Annuities Capital and Reserve (E/A) Subgroup of the Life Risk-Based Capital (E) Working Group and Life Actuarial (A) Task Force. The following Working Group members participated: Ben Slutsker, Chair (MN); Philip Barlow, Vice Chair (DC); Sheila Travis (AL); Shaowei Yang (CA); Wanchin Chou (CT); Hannah Howard (FL); Mike Yanacheak (IA); Matt Cheung (IL); William Leung (MO); Michael Muldoon (NE); Jennifer Li (NH); Seong-min Eom (NJ); William B. Carmello (NY); Rachel Hemphill (TX); and Tomasz Serbinowski (UT). The following Subgroup members participated: Peter Weber, Chair (OH); Matt Cheung, Vice Chair (IL); Shaowei Yang (CA); Philip Barlow (DC); Ben Slutsker (MN); William Leung (MO); Seong-min Eom (NJ); William B. Carmello (NY); and Rachel Hemphill (TX).

1. Adopted Their Oct. 31, 2025, Joint Minutes

Slutsker stated that the Working Group and Subgroup met Oct. 31, 2025, in joint session.

Hemphill made a motion, seconded by Leung, to adopt the Working Group and Subgroup's Oct. 31 joint minutes ([Attachment X](#)). The motion passed unanimously.

2. Discussed Comments Received from the Academy

Rick Hayes (American Academy of Actuaries—Academy) spoke to the Academy's comment letter ([Attachment X](#)). He said the comment letter consolidated observations and comments from the Academy's Variable Annuity Reserves and Capital Subcommittee and C-3 Subcommittee. Their comments on voluntary reserves align with their prior comments that, if established using sound, rigorous actuarial analysis, they can be included. The comment letter provides various examples in terms of thresholds for voluntary reserves.

3. Discussed Comments Received from the ACLI

Brian Bayerle (American Council of Life Insurers—ACLI) spoke to the ACLI's comment letter ([Attachment X](#)). He said that his remarks would anticipate the intended re-exposure of the updated proposal for the risk-based capital (RBC) C3PI and C3PII framework. Bayerle said the ACLI appreciates the reflection of the conditional tail expectation (CTE) 98 with a 25% scalar in the C3PII framework. He said that it is important to maintain this stability for now and to possibly look at alternative metrics. The ACLI recommended considering CTE 95, and regulators expressed interest in considering CTE 90.

Bayerle stated that, regarding the C3PI framework, the ACLI also appreciates using non-prescribed scenario generators. He said the ACLI would appreciate hearing regulators' thoughts and concerns on the net asset earned rate (NAER) discounting methodology. He said it is appropriate to have an alternative approach for discounting in addition to the one-year treasury rate approach that is currently used. He also said it might be appropriate to reflect on how voluntary reserves are treated in the framework.

4. Discussed Comments Received from the CAI

Daren Moreira (Eversheds Sutherland LLP) spoke on behalf of the Committee of Annuity Insurers (CAI) and noted its comments ([Attachment X](#)). He said the CAI echoes the ACLI's comments.

5. Re-Exposed the Updated Proposal for both C3PI and C3PII Framework

Cheung walked through the updated proposal for the C3PI framework, which is intended for re-exposure ([Attachment X](#)). He highlighted that the voluntary reserve is still a concern from a regulator's perspective, but it takes time to find the best way to address it. Therefore, the proposed changes to voluntary reserves in the prior exposure have been removed. He stated that regulators still support using the NAER for discounting, but need to think further before a final construct is determined. Therefore, this approach is not mentioned in the re-exposure draft. He also pointed out that the use of non-prescribed scenario generators is included as an option in the re-exposure draft.

Cheung then spoke about the updated proposal for the C3PII framework, which is also intended for re-exposure ([Attachment X](#)). He said that the previously proposed changes, as shown in the prior exposure, reverted to the CTE 98 construct that is currently used. However, regulators are interested in investigating other metrics to address some of their concerns. He also mentioned that the proposed removal of C-3 RBC amount smoothing is to be kept in the draft that will be re-exposed.

Weber asked whether companies would provide regulators with information on other metrics, such as CTE 90 and CTE 95. Bayerle said that the ACLI would be happy to work with the regulators on this approach.

Michael Cebula (New York State Department of Financial Services—NYDFS) questioned the reasonableness of using the less conservative CTE 98 with the scalar approach that is to be re-exposed, as opposed to CTE 90, which was proposed in the prior exposure of C3PII.

Cheung said CTE 90 is an important metric for companies that are not highly capitalized. He said the CTE 98 construct is not a prevalent concern for companies that report well in excess of the minimum RBC requirement. However, regulators strongly feel that they need to address certain situations when the RBC held by companies becomes less than expected from an overall construct perspective.

Slutsker asked the Working Group and Subgroup to consider re-exposing the updated proposal for the C3PI and C3PII framework with a drafting note welcoming comments on not permitting discounting at the NAER in C3PI for a 23-day public comment period.

Barlow made a motion, seconded by Yanacheak, to expose the updated proposal with a stipulation for a 23-day public comment period ending March 6. The motion passed unanimously.

6. Discussed Comments Received from the ACLI on APF 2025-14 and RBC Proposal Form 2025-17-L

Bayerle spoke to the ACLI's comment letter ([Attachment X](#)) regarding amendment proposal form (APF) 2025-14 and RBC proposal form 2025-17-L. He said the ACLI wants to ensure that the proposed scope clarification language will align with other sections of the *Valuation Manual*.

7. Re-Exposed APF 2025-14

Cheung walked through the updated proposal for scope clarification of variable annuity (VA) contracts in the payout phase, which is intended for re-exposure ([Attachment X](#)).

The first edit was made so that VA contracts in the payout phase that are currently reserved under Valuation Manual (VM)-21: Requirements for Principle-Based Reserves for Variable Annuities will not be affected by the proposed scope clarification. The second edit was made in response to the ACLI's comments. As proposed in the re-exposure draft, language was added to VM-V: Statutory Maximum Valuation Interest Rates for Formulaic Reserves. However, Cheung noted that he would remove "elected to be" from the proposed language before the draft is re-exposed. Remaining edits were made to revise the section reference in the guidance note.

Barlow asked whether the Working Group and Subgroup can opt to adopt the updated proposal with minor changes without an exposure before sending the proposal to the Life Actuarial (A) Task Force, which will expose it before final adoption.

Cheung said that VA contracts in the payout phase will be subject to VM-V due to the proposed scope clarification. As a result, they can use a higher discount rate for reserving. He asked whether the proposal is significant enough to warrant exposure. Weber said there is time for exposure.

Leung made a motion, seconded by Barlow, to expose the updated proposal for the scope clarification of VA contracts in the payout phase for a 23-day public comment period ending March 6. The motion passed unanimously.

Having no further business, the Life Risk-Based Capital (E) Working Group and Variable Annuities Capital and Reserve (E/A) Subgroup adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/A CMTE/LATF/2026-1 Spring/VACR SG/02 11 Joint LRBC WG VACR SG/0211 Joint LRBC VACR Minutes.docx

March 5, 2026

**From:** Seong-min Eom, Chair  
The Longevity Risk (E/A) Subgroup

**To:** Rachel Hemphill, Chair  
The Life Actuarial (A) Task Force

**Subject:** The Report of the Longevity Risk (E/A) Subgroup to the Life Actuarial (A) Task Force

The Longevity Risk (E/A) Subgroup met February 9<sup>th</sup> to adopt prior meeting minutes and consider which of the various longevity reinsurance C-2 capital calculation proposals to move forward with. The Subgroup exposed Longevity Reinsurance C-2 Longevity Risk Capital Proposal 2026-07-L for a 35-day comment period ending March 26<sup>th</sup>. This proposal recommends a principle-based approach to calculate longevity risk capital for the longevity reinsurance product. The longevity reinsurance product was excluded from the application of the current C-2 longevity risk factors. The Subgroup plans to meet following spring national meeting to discuss comments and consider the proposal for Subgroup adoption and move the proposal to the LRBC Working Group for exposure and consideration for adoption for year-end 2026 reporting.

Draft: 3/5/26

Longevity Risk (E/A) Subgroup  
Virtual Meeting  
February 9, 2026

The Longevity Risk (E/A) Subgroup of the Life Risk-Based Capital (E) Working Group and Life Actuarial (A) Task Force met Feb. 9, 2026. The following Subgroup members participated: Seong-min Eom, Chair (NJ); Tomasz Serbinowski, Vice-Chair (UT); Lei Rao-Knight (CT); Mike Yanacheak (IA); Ben Slutsker (MN); William B. Carmello (NY); Peter Weber (OH); and Rachel Hemphill (TX).

1. Adopted its Minutes

Slutsker made a motion, seconded by Weber, to adopt the Subgroup's Nov. 19, 2025, and Oct. 9, 2025, minutes (see *NAIC Proceedings – Fall 2025, Life Actuarial (A) Task Force, Attachments Eleven and Twelve*). The motion passed unanimously.

2. Discussed Proposals of Changes to LR025-A for Longevity-Reinsurance 2026

Eom introduced comments received on approaches to address C-2 longevity risk for longevity reinsurance transaction (LRT) contracts (Attachment XX). Eom reminded the Subgroup that under *Valuation Manual (VM)-22, Requirements for Principal-Based Reserves for Non-Variable Annuities*, the reserves starting in 2026 are the present value of liabilities less the present value of future premiums and fees, floored at 2% of the immediate 12 months benefits. She noted that this reserve floor was adopted because, otherwise, the reserve would be negative or floored at a zero for a long time. She said the goal of the proposal for year-end 2026 is to implement a more appropriate structure for C-2 longevity risk for LRT, considering 1) there is no current C-2 capital for LRT business, and 2) reserves are set in VM-22 principal-based reserves (PBR) for the first time, effective for 2026.

Linda Lankowski (American Academy of Actuaries—Academy) stated that the Academy prefers principal-based approaches as proposed by the Academy and the American Council of Life Insurers (ACLI) rather than the simpler approach proposed by New Jersey. She said the bracketed amounts for the shocks to the mortality trend and mortality level in the Academy proposal would be appropriate until there is a reason to change them. These shocks were originally developed by an Academy group from 2017 to 2020 for pension-risk transfer, single premium, group annuity, and style transactions. She said the Academy group has not recently updated or performed new modeling to assess if the exact same numbers would be proposed today. She said that, given the implementation timeline, the long-term goal would be to revisit these shocks to assess whether a change is appropriate.

Brian Bayerle (ACLI) said the ACLI recommends its proposal. The ACLI approach uses the existing C-2b break points and factors and applies those to the floating part of the cash flows associated with LRT. The floating part of the cash flows is what would be used for the statement value in LR025-A. He said applying the existing breakpoints to the present value of benefits is appropriate because the existing C-2 factors were developed for that purpose. He said that, to the extent fixed cash flows were not already reflected elsewhere in the reserve framework, that would be a credit to the company to offset that charge. He said the ACLI supports a principle-based approach for a long-term solution. However, the ACLI is open to the New Jersey approach as a short-term solution if the existing C-2 breakpoints are used. He said that, regardless of which approach, sticking to the current break points for now makes sense, and working toward updating them as indicated by additional analysis.

Eom said that both the Academy's and the ACLI's approaches measure long-term longevity risk. She noted that the New Jersey proposal implicitly addresses long-term longevity risk. Under the New Jersey proposal, companies

will receive credits for future fees from using the immediate 12-month benefits multiplied by the C-2 factor. The approach implicitly assumes that future fees will substantially cover the longevity risk. She said that for the New Jersey proposal, the longer-term project would require analysis to determine if new factors and breakpoints are appropriate.

Lankowski said that the break points proposed by New Jersey were not calibrated to the next 12 months' benefits amount. The Academy was unable to comment on the appropriateness of those breakpoints. She said further analysis would be needed to understand the appropriateness. She suggested the Subgroup consider delaying implementation rather than rushing into a non-principle-based approach, given that the analysis needed to assess appropriateness is not feasible within the 2026 implementation timeline.

Serbinowski said he was concerned that the New Jersey proposal would result in risk-based capital (RBC) charges that are too low when experience is worse than anticipated and too high when experience is better than anticipated. He said the New Jersey approach does not adequately accommodate the future premiums of the fixed leg of the arrangements. The proposal reflects the expected benefits based on the current expectations. If experience is worse than expected, the company may need to maintain significant reserves, and RBC will need to apply appropriate shocks to the expected longevity/mortality trend.

Eom said that because of the heavy reliance on future fees, even if adverse, the C-2 capital would be zero, since future fees are considered to have no assets. Eom also noted that the fees are not defined by the product design, but rather are developed and structured in accordance with the two parties' agreement. She said if the capital amount is based on the ACLI or Academy proposals, which rely heavily upon the future fee schedule, then companies could have an incentive to design the fee schedule to keep the capital at zero.

Rao-Knight noted that there is currently no C-2 charge for these longevity reinsurance products. VM-22 was adopted and is a principle-based approach for reserves. RBC should be consistent with that approach to reflect a more refined modeling approach in the RBC C-2 framework. She said refining the factors and mortality shocks will require work, and the New Jersey approach at least reflects that some longevity risk of this product would be an improvement over the current requirements.

Serbinowski said he had concerns about using the current C-2 factors for the New Jersey approach because they were developed to apply to the present value of benefits, not the 12 months of benefits indicated in the New Jersey proposal. He said it may be inappropriate to apply the current C-2 to a metric other than the present value of benefits.

Kory Olsen (Pacific Life Insurance Company) said the company is providing feedback as a participant in this market. He said previous RBC work incorporated both short- and long-term mortality stresses. Olsen said LRT has a guaranteed stream of future premiums, unlike other longevity products. He stated that Pacific Life supports the ACLI proposal because it leverages the existing RBC factors in a manner consistent with their development and reflects future guaranteed premiums.

Eom presented a comparison of the three proposals and noted her concerns with components of the proposals (Attachment XX). Eom said she is concerned that the Academy and ACLI proposals could result in zero capital for many years. Under the ACLI proposal, zero capital could result because, under LRT, the two parties agree on expenses and fees, which could incentivize adjustments to keep capital low. The Academy proposal could have a similar zero capital result because, in the total asset return calculation, the statutory reserve amount is deducted and floored at zero.

Eom said the graph in the proposal comparison demonstrates the impact of future fees on the capital amount. She said that the longevity reinsurance contracts in the data supporting the chart are a mix of different durations. The blue line represents the PBR reserve amount without the floor to show the impact the present value of future fees has in making the reserve negative. The yellow line represents a PBR reserve floored by 2% of the immediate 12-months benefit amount.

Hemphill suggested the Subgroup consider a flooring mechanism to address concerns stemming from subtracting the statutory reserves in the Academy proposal. She stated that C-3 Phase II has a flooring mechanism. She said using consistent flooring of the total asset requirement with the reserves could address these concerns for C-2. Eom and Slutsker agreed that this approach may address concerns with the Academy proposal. Slutsker said he would also like to see a principle-based approach. Lankowski stated the Academy could revisit the approach and work with Hemphill to address this.

Eom requested a straw poll to narrow the proposal options that the Subgroup preferred to advance. Members voted among the following options: 1) the Academy proposal, 2) the Academy proposal modified with Texas's suggestion to add a flooring mechanism, 3) the ACLI proposal, and 4) the New Jersey proposal for use in the short-term, with the long-term solution to further develop the Academy's principle-based proposal. Utah preferred option 1. Texas, Minnesota, Ohio, and Iowa preferred option 2. Connecticut and New York preferred option 4. Further Subgroup discussions resulted in Rao-Knight and Carmello stating they also supported moving forward with option 2. Utah abstained from the second round of discussion pending further development of option 2. The Subgroup asked the Academy to work with Hemphill to refine option 2 for a chair exposure prior to the Spring National Meeting. The Academy and Hemphill agreed to collaborate to incorporate a flooring mechanism.

Eom asked NAIC committee support about the next steps to get the recommendation to the Life Risk-Based Capital (E) Working Group. Amy Fitzpatrick (NAIC) said NAIC committee support will send the updated Academy recommendation in an RBC proposal form and a draft recommendation letter as a chair exposure.

Having no further business, the Longevity Risk (E/A) Subgroup adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/A CMTE/LATF/2026-1-Spring/LongevitySG/02 09/LongevitySG\_Feb9.docx

## Agenda Item 2

Discuss the Work of the Valuation Manual

(VM)-22 (A) Subgroup

**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:**

NAIC VM-22 (A) Subgroup

**Title of the Issue:**

Remove criteria requirements of VM-22 Aggregation

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, VM-22 Section 3.F and VM-31 Section 3.F.14.j

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 following page

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

Remove criteria for aggregate payout and deferred annuities in VM-22 and add a disclosure in VM-31 for the aggregation benefit.

<b>Dates:</b> Received	Reviewed by Staff	Distributed	Considered
12/15/25	A.F.	12/17/25	
<b>Notes:</b> 2025-20 Exposed by VM-22 SG for 90-day comment period ending 3/17/26.			

VM-22, Section 3.F.2:

2. The Payout Annuity Reserving Category and Accumulation Reserving Category may be aggregated.

VM-31, Section 3.F.14.j:

- j. Aggregation – The following information on aggregation:
- i. Disclosure of the impact of aggregation, that is, a comparison of seriatim calculations compared to aggregation permitted under VM-21 or VM-22, and discussion of the method used to determine the impact, pursuant to Section 6.A.1.a in VM-21 or VM-22.
  - ii. For VM-22, to the extent the Payout Annuity Reserving Category and Accumulation Reserving Category are aggregated pursuant to VM-22 Section 3.F.2, provide a breakdown of reserve results (SR and CSV) for each Reserving Category, both pre- and post-reinsurance, along with case counts and face amounts.
  - iii. To the extent that aggregation is done across multiple model segments, whether across reserving categories or within a reserving category, the methodology used to allocate the aggregation benefit across model segments shall be documented.

**Deleted:** only if they meet the following criteria:¶  
¶  
The company manages the risks of the contracts within both categories in an integrated risk management process.¶  
¶  
The contracts within both categories are managed within a single portfolio, or portfolios with the same ALM strategy. ¶  
¶  
**Guidance Note:** For the purposes of aggregating payout and accumulation reserving categories, the Subgroup plans to revisit whether to include prerequisites to permit aggregation, as well as which criteria and disclosures to focus on for such aggregation.¶

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**Deleted:** is met.

**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:**

NAIC VM-22 (A) Subgroup

**Title of the Issue:**

Clarify VM-22 applicability to deposit-type contracts based on Academy proposed edits

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, VM-22 Sections 1.A and 2.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.)

VM-22, Section 1.A

Purpose

These requirements establish the minimum reserve valuation standard for non-variable annuity contracts as defined in Section II of the Valuation Manual, Subsection 2.C **and for Deposit-Type Contracts falling under the scope of VM-22 Section 2.A.** For all contracts encompassed by the Scope, these requirements constitute the Commissioners Annuity Reserve Valuation Method (CARVM) and, for some contracts and certificates, the Commissioners Reserve Valuation Method (CRVM).

VM-22, Section 2.A:

Scope

Applicable non-variable annuity contracts specified in VM Section II, Subsection 2 “Annuity Products”, Paragraphs C and D and **applicable contracts in VM Section II, Subsection 3 “Deposit-Type Contracts” not otherwise excluded by VM Section II, Subsection 2.C** are subject to VM-22 requirements.

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

Clarify that there are some deposit-type contracts that fall in scope of VM-22 requirements, though not all deposit-type contracts are in scope.

Dates: Received	Reviewed by Staff	Distributed	Considered
12/15/25	A.F.	12/17/25	
<b>Notes:</b> 2025-18. Exposed by VM-22 SG for a 90-day comment period ending 3/17/26.			

**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:**

NAIC VM-22 (A) Subgroup

**Title of the Issue:**

Provide optional valuation treatment for new settlements/annuitizations on contracts written prior to VM-22 PBR or VM-V

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, VM Section II, Subsection 2.C

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 following page

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

During the VM-22 drafting process, there was a request for clarity on the treatment of valuations of settlements/annuitizations that occur after VM-22 PBR is effective on contracts issued prior to VM-22 PBR becoming effective. This amendment provides the company to elect using the valuation treatment of the originally issued contract in these situations, as long as such is approved by the domiciliary commissioner, used consistently for all contracts in scope, and the company does not revert back to using VM-22 PBR in the future.

Dates: Received	Reviewed by Staff	Distributed	Considered
12/15/2025	A.F.	12/17/2025	
<b>Notes:</b> 2025-19 Exposed by VM-22 Subgroup for 90-day comment period ending March 17, 2026.			

VM Section II, Subsection 2.C:

Minimum reserve requirements for non-variable annuity contracts issued prior to 1/1/2026 are those requirements as found in VM-A, ~~and~~ VM-C, 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 contracts specified in VM-V Section 1.A.2.d, Section 1.A.2.e, Section 1.A.2.f, Section 1.A.2.g or Section 1.A.2.h. 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.

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**Deleted:** issued on or after Jan. 1, 2017, and on or before Dec. 31, 2017

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 Preeed 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.

For the contracts, options, and payment streams listed below, with approval from the domiciliary commissioner, the company may elect to use the minimum standard of valuation following to the reserve requirements found in VM-A, VM-C, and VM-V as applicable:

- i.) the election of an annuitization option on a deferred annuity contract or a life insurance contract with a date of issue on or after Jan. 1, 2017, but before Jan 1, 2026, where proceeds have been elected to be received periodically as a life-contingent payout annuity or as an annuity certain on or after Jan. 1, 2026.
- ii.) fixed payout annuities emanating from contracts issued on or after Jan. 1, 2017, but before Jan 1, 2026, with a date of annuitization on or after Jan. 1, 2026.
- iii.) fixed income payment streams attributable to contingent deferred annuities issued after Dec. 31, 2017, but before Jan 1, 2026, whose underlying contract funds are exhausted on or after Jan. 1, 2026, and
- iv.) fixed income payment streams attributable to guaranteed living benefits associated with deferred annuity contracts issued after Dec. 31, 2017, but before Jan 1, 2026, and whose contract funds are exhausted on or after Jan. 1, 2026.

If elected, all contracts, options, and payments streams found in (i) to (iv) above, including those newly issued, must consistently use the reserve requirements found in VM-A, VM-C, VM-V (i.e., there can be no mixing and matching between VM-A/VM-C/VM-V and VM-22 valuation treatment for different segments of applicable contracts, options, and payment streams). In addition, once electing to use the reserve requirements found in VM-A, VM-C, and VM-V for the contracts, options, and payment streams described in (i) to (iv) above, the company shall no longer be allowed to follow VM-22 requirements for any of those contracts, options, and payment streams, including those newly issued.

The minimum reserve requirements of VM-22 are considered PBR requirements for purposes of the Valuation Manual, and therefore are applicable to VM-G.



March 17, 2026

Mr. Ben Slutsker, Chair  
Valuation Manual (VM)-22 (A) Subgroup, Life Actuarial (A) Task Force (LATF)  
National Association of Insurance Commissioners (NAIC)

Re: APF 2025-20 regarding VM-22 Aggregation

Dear Chair Slutsker:

On behalf of the Annuity Reserves and Capital Subcommittee (ARCS) of the American Academy of Actuaries,<sup>1</sup> I appreciate the opportunity to comment on the APF 2025-20 which proposes a removal of the criteria requirements for aggregation of the Payout Annuity and Accumulation Reserving Categories under VM-22. I am pleased to provide the following comments on principles that should be utilized in determining the potential for aggregation.

The ARCS believes that when using the term “aggregation,” there are multiple possible definitions, including:

1. Aggregation *before* the calculation of a scenario reserve, which combines contracts and assets into a single model segment.
2. Aggregation *after* the calculation of a scenario reserve, which would merge the scenario reserves, floor at aggregate cash surrender value, and then take the CTE(70) of the merged results.

ARCS is supportive of actuarially justified aggregation that reflects the management and economics of the business. However, ARCS believes there are risks with allowing aggregation *before* the calculation of the reserves into a single model segment of business that is managed separately that could occur under the current wording of VM-22.

Although “model segment” is defined in VM-01 as “a group of policies and associated assets that are modeled together to determine the path of net asset earned rates,” VM-22 does not provide further guidance on the creation of model segments for the purposes of aggregation. VM-20, meanwhile, states the following in Section 5.A.:

In determining the SR, the company shall determine the number and composition of subgroups for aggregation purposes in a manner that is consistent with how the company manages risks across products with significantly different risk profiles, and that reflects the likelihood of any change in risk offsets that could arise from distributional shifts between product types due to, for example, differing policyholder behavior. If a company is managing the risks of two or more products with significantly different risk profiles as part of an integrated risk management process, then the products may be combined into the same subgroup for aggregation purposes.

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<sup>1</sup> 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.

Key amongst this information is that the grouping is done based on how a company manages risks, and combining products with significantly different risk profiles into a single model segment requires an integrated risk management process. Thus, the ARCS believes a company should only be able to aggregate into a single model segment when it jointly manages and monitors the investment decisions and the risks associated with contracts with different risk profiles (e.g., payouts and fixed deferred annuities), and assets are available to fund cash flows arising from all liabilities within the model segment.

Without this requirement, aggregation benefits for companies that do not jointly manage the investment decisions, or do not jointly monitor and manage the risk associated with the contracts in these two reserve categories as part of an integrated risk management framework, may not always be realized. For example, a newer accumulation annuity block may be supported by longer duration, less liquid assets, while a seasoned payout block may be supported by shorter duration, highly liquid assets. In a modeled moderately adverse scenario, the accumulation block may require liquidity for excess surrenders, which would need to come from liquid assets of the payout block, producing an apparent offset when results are aggregated. If assets from the payout block are unavailable given the company's practices or regulatory constraints, such offset would not be realized. Given this inherent uncertainty between modeled outcomes and reality, we do not believe it would be appropriate to reflect such aggregation benefits in this case. However, we do believe the economic, path dependent aggregation *after* the calculation of the scenario reserves should be allowed where appropriate.

Thus, ARCS is generally supportive of the removal of the restrictions on aggregation across categories. However, if this were done, ARCS believes an additional section may be warranted in VM-22 and VM-31 about the creation of model segments. Some proposed language could be:

#### **VM-22 Section 3.F Aggregation of Contracts for the DR and SR**

1. The company shall determine the number and composition of model segments for aggregation purposes in a manner that is consistent with how the company manages risks across products with significantly different risk profiles, and that reflects the likelihood of any change in risk offsets that could arise from distributional shifts between product types due to, for example, differing policyholder behavior. If a company is both managing the risks of two or more products with significantly different risk profiles as part of an integrated risk management process and jointly managing the investment decisions for these products on an integrated basis, then the products may be combined into the same model segment for aggregation purposes.
  - a. Contracts in different reserving categories shall be in different model segments when determining the SR or DR except as specified in Section 3.F.3

**Guidance Note:** Aggregation refers to the number and composition of subgroups of policies that are used to combine cash flows. Aggregating policies into a common model segment allows the cash flows arising from the policies for a given stochastic scenario to be netted against each other (i.e., allows risk offsets between policies to be recognized). For example, assume Company A and Company B both have a fixed deferred annuity block and a payout block of business.

- Company A has a single asset portfolio and an integrated risk management process in place to manage both blocks of business
- Company B has separate asset portfolios, manages each block of business individually, and has no comingling of assets.

Company A would have the option to create a single model segment, while Company B must have two separate model segments.

2. Groups of contracts within different Reserving Categories may not be aggregated together in determining the SR or DR except as specified in Section 3.F.3. For the purposes of VM-22, Reserving Categories are classified as the following.....  
  
.....
3. The Payout Annuity Reserving Category and Accumulation Reserving Category may be aggregate  
d. ~~only if they meet the following criteria:~~
  - a. ~~The company manages the risks of the contracts within both categories in an integrated risk management process.~~
  - b. ~~The contracts within both categories are managed within a single portfolio, or portfolios with the same ALM strategy.~~

~~**Guidance Note:** For the purposes of aggregating payout and accumulation reserving categories, the Subgroup plans to revisit whether to include prerequisites to permit aggregation, as well as which criteria and disclosures to focus on for such aggregation.~~

.....

5. The reserve may be determined in aggregate across various groups of contracts within each Reserving Category, or within the combined Accumulation and Payout Reserving Categories following Section 3.F.3, as a single model segment when determining the SR or DR.

**Guidance Note:** While Section 3.F.5 permits use of a single model segment for a Reserve Category and/or for the combined Accumulation and Payout Reserving Categories generally, the requirements of Section 3.F.1 may nevertheless restrict a particular company from using a single model segment, for example, if the component blocks of business are not managed together as part of an integrated risk management process or if the investment decisions for the component blocks of business are not made on an integrated basis.

6. To the extent that aggregation results in more than one model segment, the aggregate reserve for each reserving category, or within the combined Accumulation and Payout reserving categories following Section 3.F.3, shall be calculated as follows.....

### **VM-31 Section 3.F.2 Cash Flow Models**

- a. Modeling Systems – Description of the modeling system(s) used for both assets and liabilities. If more than one modeling system is used, a description of how the modeling systems interact and how the results from different modeling systems are combined to determine the aggregate reserve.
- b. Model Segments – Description and rationale for the organization of the contracts and assets into model segments, if any, as referenced in VM-21 Section 3.D, VM-22 Section 3.F.1, and VM-22 Section 3.F.4.
- c. Model Validation – Description.....

### **VM-31 Section 3.F.14.j Aggregation**

ii. For VM-22, support that the criteria in to the extent the Payout Annuity Reserving Category and Accumulation Reserving Category are aggregated pursuant to VM-22 Section 3.F.1, provide a breakdown of reserve results (SR and CSV) for each Reserving Category, both pre- and post-reinsurance, along with case counts and face amounts.is met.

Thank you for your consideration of these comments. Please contact Amanda Barry-Moilanen ([barrymoilanen@actuary.org](mailto:barrymoilanen@actuary.org)), the Academy's policy project manager, life, with any questions on this comment letter.

Sincerely,  
Bruce Friedland, MAAA, FSA  
Chairperson, Annuity Reserves and Capital Subcommittee  
American Academy of Actuaries



March 17, 2026

Mr. Ben Slutsker, Chair  
Valuation Manual (VM)-22 (A) Subgroup, Life Actuarial (A) Task Force (LATF)  
National Association of Insurance Commissioners (NAIC)

Re: Exposure regarding APF2025-19 VM-22 Settlement Options

Dear Chair Slutsker:

On behalf of the Annuity Reserves and Capital Subcommittee (ARCS) of the American Academy of Actuaries,<sup>1</sup> I appreciate the opportunity to comment on the recent exposure of APF 2025-19 VM-22 Settlement Options, which clarifies the treatment of valuations of settlements/annuitizations that occur after VM-22 PBR is effective on contracts issued prior to VM-22 PBR becoming effective. I am pleased to provide the following comments.

In reviewing APF 2025-19, the ARCS noted that the dates as currently specified in i–iv are not consistent. Specifically, i and ii reference settlements/annuitizations emanating from contracts issued on or after Jan. 1, 2017, whereas iii and iv reference settlements/annuitizations emanating from contracts issued on or after Dec. 31, 2017.

The ARCS recognizes that the different dates as currently outlined in i–iv were intended to align with the dates in VM-V, *Statutory Maximum Valuation Interest Rates for Formulaic Reserves*. However, for consistency and simplicity, ARCS recommends changing the dates in iii and iv from “Dec. 31, 2017,” to “Jan. 1, 2017,” so that Jan. 1, 2017, is used throughout i–iv to simply align with the operative date of the valuation manual.

It is worth noting that using Jan. 1, 2017, for iii and iv would mean that for contracts in scope, with the approval from the domiciliary commissioner, the company may elect to use CARVM (i.e., formulaic reserve) approach, and statutory maximum valuation interest rates would follow guidance from VM-A and VM-C if the original deferred annuity contract is issued in 2017 and follow guidance from VM-V if the original deferred annuity contract is issued in 2018 and later.

In summary, ARCS recommends the following dates for settlement and annuitization contracts (edits are only for iii and iv and are shown in track changes):

*For the contracts, options, and payment streams listed below, with approval from the domiciliary commissioner, the company may elect to use the minimum standard of valuation following to the reserve requirements found in VM-A, VM-C, and VM-V as applicable:*

- i) the election of an annuitization option on a deferred annuity contract or a life insurance contract with a date of issue on or after Jan. 1, 2017, but before Jan. 1, 2026, where*

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<sup>1</sup> 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.

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*proceeds have been elected to be received periodically as a life-contingent payout annuity or as an annuity certain on or after Jan. 1, 2026,*

- ii) fixed payout annuities emanating from contracts issued on or after Jan. 1, 2017, but before Jan. 1, 2026, with a date of annuitization on or after Jan. 1, 2026,*
- iii) fixed income payment streams attributable to contingent deferred annuities issued after Jan. 1, 2017, but before Jan. 1, 2026, whose underlying contract funds are exhausted on or after Jan. 1, 2026, and*
- iv) fixed income payment streams attributable to guaranteed living benefits associated with deferred annuity contracts issued after Jan. 1, 2017, but before Jan. 1, 2026, and whose contract funds are exhausted on or after Jan. 1, 2026.*

Finally, to the extent that VM-22 PBR inforce exposure advances to be adopted for business issued prior to the operative date of the valuation manual considerations for settlement/annuitization on contracts issued prior to Jan. 1, 2017, may also need to be addressed.

Thank you for your consideration of these comments. Please contact Amanda Barry-Moilanen ([barrymoilanen@actuary.org](mailto:barrymoilanen@actuary.org)), the Academy's policy project manager, life, with any questions on this comment letter.

Sincerely,  
Bruce Friedland, MAAA, FSA  
Chairperson, Annuity Reserves and Capital Subcommittee  
American Academy of Actuaries



[Brian Bayerle](#)  
Chief Life Actuary  
202-624-2169

[Colin Masterson](#)  
Sr. Policy Analyst  
202-624-2463

March 17, 2026

Ben Slutsker  
Chair, NAIC Valuation Manual (VM)-22 (A) Subgroup (Subgroup)

Elaine Lam  
Vice Chair, NAIC Valuation Manual (VM)-22 (A) Subgroup (Subgroup)

Re: 2025 VM-22 Subgroup Amendment Proposal Forms (APFs 2025-18, 2025-19, and 2025-20)

Dear Chair Slutsker and Vice Chair Lam:

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide feedback on the Subgroup's recent exposure of draft APFs 2025-18 (Deposit-Type Contracts), 2025-19 (Settlement Options), and 2025-20 (Aggregation). ACLI generally supports these amendments and offers the following comments.

ACLI strongly supports the edits proposed in APF 2025-18, which are aimed at clarifying the scope of Deposit-Type Contracts within the 2026 VM-22 framework.

We are appreciative of the changes proposed in APF 2025-19. However, additional clarifications are needed to better address the operational realities of settlement options, including:

- **Greater flexibility in applying the election** - regulators should consider allowing companies to apply the election at a targeted administrative block level, rather than requiring uniform application across all contracts, options, and payment streams as currently drafted. The current approach does not allow companies to apply different methodologies across separately administered blocks, which may not reflect how settlement options are managed in practice. Allowing more targeted application would provide operational flexibility for immaterial or separately administered blocks, as settlement options are often small and not integrated into companies' broader annuity valuation systems.
- **Consideration of post-2026 settlement options** - regulators should consider how settlement options that emerge after 2026 will be treated. Settlement options are sometimes administered separately from the host contract (e.g., life insurance policy). In these cases, performing a PBR calculation is often unnecessary given the fixed cash flows, limited optionality, and overall immateriality of the block. Additionally, where the host contract (such as GICs) remains outside

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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.

the scope of VM-22 PBR, it would not be appropriate for the settlement option to be subject to PBR while the underlying contract continues to follow a pre-PBR methodology.

- **Recommend changing "approval" to "notification"** - with the understanding that the commissioner always can review the selection of the prescribed method for the determination of the reserve.

More broadly, ACLI appreciates the Subgroup's recognition that aggregation is an appropriate framework for VM-22. Allowing aggregation across reserving categories better reflects how these products are managed and modeled in practice and avoids unnecessary complexity that can arise from evaluating them in isolation.

Finally, and consistent with our other letter, ACLI would also like to stress that whatever decisions are made regarding VM-22 scope needs to consider how any potential changes would interact with other ongoing efforts such as the inforce application of VM-22 requirements.

Thank you once again for the opportunity to provide this commentary and we look forward to additional discussion soon at the Subgroup and Life Actuarial (A) Task Force level.

As a final note, ACLI's feedback on the other items exposed at the same time as these APFs (i.e., the VM-22 Inforce Questions and Scope Questions) will be provided in separate comment letters.

Sincerely,

Handwritten signature of Colin Masterson in cursive script.

cc: Amy Fitzpatrick, NAIC

VM-22 Exposure on Funding Agreements, GICs, and Stable Value Contracts

Should VM-22 requirements apply to Guaranteed Investment Contracts, Synthetic Guaranteed Investment Contracts, Funding Agreements, and other Stable Value Contracts?



March 17, 2026

Mr. Ben Slutsker, Chair  
Valuation Manual (VM)-22 (A) Subgroup, Life Actuarial (A) Task Force (LATF)  
National Association of Insurance Commissioners (NAIC)

Re: Exposure regarding VM-22 Funding Agreements GIC Stable Value

Dear Chair Slutsker:

On behalf of the Annuity Reserves and Capital Subcommittee (ARCS) of the American Academy of Actuaries,<sup>1</sup> I appreciate the opportunity to comment on the recent exposure requesting discussion on the inclusion of Guaranteed Investment Contracts (GICs), Synthetic Guaranteed Investment Contracts, Funding Agreements, and other Stable Value Contracts in VM-22. I am pleased to provide the following comments.

The ARCS noted that the products referenced are stable value contracts and are similar in their purpose. We note the following considerations for their possible inclusion within VM-22.

**Reasons to include:**

As a general proposition, the ARCS believes that inclusion of these products within VM-22 is in alignment with a principles-based framework. There is nothing that would preclude their inclusion within VM-22 and they would likely be part of the Accumulation Reserving Category, if included. The risks associated with these products are mostly credit and asset liability modeling (ALM) related, which is consistent with a subset of the risks captured within VM-22. In addition, companies may manage these contracts together with other products already within the scope of VM-22 and therefore including these products under VM-22 could provide consistency that aligns with how companies manage the business.

It's worth noting that, while Synthetic GICs serve a similar purpose as GICs and funding agreements, for most states, they are currently governed by Model Regulation 695, which prescribes statutory reserve requirements, including a standalone asset adequacy testing framework. Accordingly, given the existing statutory framework for synthetic GICs, it may be appropriate to consider GICs and funding agreements separately from synthetic GICs when evaluating whether VM-22 should apply.

If a company wanted to retain their current, simpler reserving methodology, assuming there are limited risks with the liabilities, the company could demonstrate that via the exclusion tests and revert to current reserving methodologies. Passing an exclusion test does require modeling, memorandum disclosures, and auditing. Products that pass the stochastic exclusion test and follow VM-A & VM-C do not require Additional Standard Projection Amount (ASPA) disclosures, but if a company wanted to follow the full modeling required under VM-22, there are currently no ASPA assumptions associated with some of these products. As a result, additional language in the ASPA section, and other sections in VM-22, as applicable, would be needed to accommodate these products.

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In addition, the inclusion within VM-22 would provide clarification and create a consistent methodological practice for these types of products, as there can be some variation in practice today, particularly related to GICs and funding agreements. For example:

1. For GICs and funding agreements that guarantee a floating rate of interest linked to an index, companies may interpret the application of CARVM differently, and in some cases may default to holding the account value for simplicity.
2. Certain state regulations clarify that funding agreements are not annuity contracts, which creates ambiguity in how existing statutory guidance should be interpreted for these contracts.

**Reasons to not include:**

These products tend to have lower risk profile compared to the products currently within the scope of VM-22 because there is no mortality risk, generally shorter duration, and often there is limited or no optionality allowed from policyholders; as a result, these products were previously excluded from the scope. One of the important drivers for the creation of a principles-based framework is to capture risks outside of a formulaic reserve methodology. Given that these products generally contain limited policyholder optionality, a principles-based framework may not be needed. Products like Synthetic GICs today are also subject to Model Regulation 695, which prescribes asset maintenance requirements and includes standalone asset adequacy testing. In addition, we believe that the current formulaic reserve approach generally does not result in a material excess reserve and produces a reasonable reserve for these contracts. As a result, a more simplified approach via a formulaic reserve may be more appropriate than the more complex VM-22 methodology and the associated documentation requirements.

It is also worth noting that there are also separate-account GICs that are similar to Synthetic GICs, but with assets held in separate accounts, and those contracts are governed today in most states by Model Regulation 200 *Separate Accounts Funding Guaranteed Minimum Benefits under Group Contracts*, so they currently do not fall under the scope of VM-22 (or VM-21).

In conclusion, the decision to include these products within the modeling scope of VM-22 is based on whether the risks of these products are worth the additional modeling, documentation, and regulatory review.

Thank you for your consideration of these comments. Please contact Amanda Barry-Moilanen ([barrymoilanen@actuary.org](mailto:barrymoilanen@actuary.org)), the Academy's policy project manager, life, with any questions on this comment letter.

Sincerely,  
Bruce Friedland, MAAA, FSA  
Chairperson, Annuity Reserves and Capital Subcommittee  
American Academy of Actuaries



[Brian Bayerle](#)  
Chief Life Actuary  
202-624-2169

[Colin Masterson](#)  
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March 17, 2026

Ben Slutsker  
Chair, NAIC Valuation Manual (VM)-22 (A) Subgroup (Subgroup)

Elaine Lam  
Vice Chair, NAIC Valuation Manual (VM)-22 (A) Subgroup (Subgroup)

Re: VM-22 Exposure on Funding Agreements, GICs, and Stable Value Contracts

Dear Chair Slutsker and Vice Chair Lam:

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide feedback on whether VM-22 requirements should apply to Guaranteed Investment Contracts (GICs), Synthetic Guaranteed Investment Contracts, Funding Agreements, and other Stable Value Contracts.

While consideration of VM-22 scope is a necessary component of implementation, several important issues warrant further evaluation before any decisions are made. These include, among other things, how floors would be applied and how differences across product structures and product blocks would be addressed. Absent such analysis, there is a risk that VM-22 could be applied in a manner that does not appropriately reflect underlying risks.

By way of example, ACLI members have expressed general support for the election to apply principles-based reserving (PBR) to general account stable value products. At the same time, members have raised reservations regarding mandatory application, particularly for synthetic GICs, given the distinct structural features of those arrangements and the differing economic treatment of assets and liabilities.

Accordingly, ACLI would be open to a default position under which VM-22 requirements would not apply to these products, with the option for insurers to apply VM-22 upon notification to their domestic regulator. This approach, which is consistent with mechanisms used in other chapters of the Valuation Manual, would preserve regulatory flexibility while avoiding unintended consequences from a one-size-fits-all application.

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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.

ACLI appreciates the Subgroup's consideration of these comments and welcomes continued dialogue as the scope of VM-22 is further refined. Our members stand ready to provide additional technical input through the Subgroup and the Life Actuarial (A) Task Force as needed.

More generally, ACLI would also like to stress that whatever decisions are made regarding VM-22 scope needs to consider how any potential changes would interact with other ongoing efforts such as the inforce application of VM-22 requirements.

As a final note, ACLI's feedback on other items exposed concurrently with this question, including the VM-22 Inforce Questions and VM-22 Amendment Proposal Forms, will be provided in separate comment letters.

Sincerely,

A handwritten signature in cursive script that reads "Colin Masterson". The signature is written in black ink and is positioned to the right of a large, stylized initial "B" that appears to be part of the signature or a separate mark.

cc: Amy Fitzpatrick, NAIC



## **VM-22 Exposure on Funding Agreements, GICs, and Stable Value Contracts: Response from Corebridge Financial**

**Exposure Period End Date:** 3/17/2026

**Topic:** VM-22 Applicability to Funding Agreements, GICs, and Stable Value Contracts

### **Question Exposed:**

#### **VM-22 Exposure on Funding Agreements, GICs, and Stable Value Contracts**

*Should VM-22 requirements apply to Guaranteed Investment Contracts, Synthetic Guaranteed Investment Contracts, Funding Agreements, and other Stable Value Contracts?*

### **Corebridge Financial Response:**

It is Corebridge's perspective that VM-22 requirements *should* apply to Guaranteed Investment Contracts (GICs) and Funding Agreements but *should not yet* apply to Synthetic Guaranteed Investment Contracts and other Stable Value Contracts.

In our view, the only significant difference in the obligation risk profile between a Funding Agreement and a similarly structured payout annuity under VM-22 is that the former lacks life-contingencies. However, there is no clear conceptual reason that the absence of life-contingencies should disqualify a contract from the requirements of VM-22. The risk in Funding Agreements is largely dependent on the underlying asset portfolio, and how that portfolio is engineered and managed relative to contractual obligations. The requirements of VM-22 would capably reflect that risk in the reserve, whereas the current framework (A-820) does not. Moreover, the current utilization of a single prescribed discount rate for Funding Agreements may lead to under-reserving bias in falling rate environments, strengthening the case for VM-22 application.

Conversely, the risk profile of Stable Value Contracts is markedly different in that no payments from the insurer are expected except in extreme tail scenarios. Additionally, wrap issuers typically do not hold the underlying assets, and economic risk manifests in a market-to-book value metric, rather than ALM mismatch. While a stochastic approach

will likely be the most constructive method for quantifying the risk on the product, it is not clear that the VM-22 standard is an appropriate framework, given that the detailed asset modelling requirements presuppose direct management of assets.

BY E-MAIL

March 17, 2026

Ben Slutsker  
Chair, NAIC Valuation Manual (VM)-22 (A) Subgroup

Elaine Lam  
Vice Chair, NAIC Valuation Manual (VM)-22 (A) Subgroup

Attention: Amy Fitzpatrick (afitzpatrick@naic.org)

**Re: VM-22 Exposure on Funding Agreements, GICs, and Stable Value Contracts**

Dear Chair Slutsker and Vice Chair Lam:

New York Life appreciates the opportunity to comment on whether VM-22 requirements should apply to Guaranteed Investment Contracts (GICs), Synthetic Guaranteed Investment Contracts (Synthetic GICs), Funding Agreements, and other Stable Value Contracts. In our view, the current reserving framework appropriately reflects their risk characteristics and provides sufficient policyholder protection.

These products differ materially from fixed annuities in product structure and risk profile:

- There is no life contingent component.
- Cash flows are generally fixed, with little to no optionality.
- Products are designed with strong contractual and structural safeguards to mitigate policyholder behavior and disintermediation risk.

As a result, the principal risks that VM-22 is designed to capture – particularly those arising from mortality experience, complex guarantees, and dynamic policyholder behavior – are not present to a comparable degree in these products.

Applying VM-22 to these contracts would introduce significant modeling complexity and operational burden without a commensurate improvement in reserve adequacy or policyholder protection.

Before broadening the scope of VM-22, we believe it would be appropriate for regulators to identify a specific solvency concern associated with these products and demonstrate that existing statutory reserving and asset adequacy requirements are insufficient to address that concern. In the absence of such evidence, we recommend that GICs, Synthetic GICs, Funding Agreements, and other Stable Value Contracts remain outside the scope of VM-22.

We appreciate the opportunity to comment and would welcome continued dialogue with the Subgroup.

Sincerely,



Erik Anderson  
Senior Vice President and Chief Actuary  
New York Life Insurance Company



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# Memo

**To:** Amy Fitzpatrick, ASA, MAAA, Life Associate Actuary, NAIC Committee Support

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**From:** Lynn Manchester, FSA, MAAA, Director, RRC  
Veronika Cooper, FSA, MAAA, Consulting Actuary, RRC

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**Date:** March 16, 2026

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**Subject:** RRC Comments Regarding the question of whether to include Guaranteed Investment Contract (GICs), Synthetic Guaranteed Investment Contracts (SGICs), Funding Agreements, and Stable Value Contracts in scope of VM-22

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## Background

The VM-22 (A) Subgroup is requesting comments on the question of whether to include Guaranteed Investment Contracts (GICs), Synthetic Guaranteed Investment Contracts (SGICs), Funding Agreements, and Stable Value Contracts in the scope of VM-22 (the Exposure).

RRC appreciates the opportunity to offer our comments on the inclusion of these items in VM-22. Should you have any questions, we would be glad to discuss our comments with you and Task Force members.

We appreciate the work that the VM-22 Subgroup has undertaken to address what we believe is a critical industry issue, namely further refining the scope and language of VM-22.

## Comments

*How these contracts are similar to or different from the contracts currently included under VM-22:*

GICs, SGICs, Funding Agreements and Stable Value Contracts generally have the following features:

- a) Principal protection
- b) Guaranteed crediting rates
- c) Long-dated liabilities requiring asset-liability management

These features are similar to the characteristics found in fixed deferred annuities, Multi-Year Guaranteed Annuities (MYGAs), and products such as pension risk transfer, supplementary contracts, and structured settlements, all of which fall within VM-22's conceptual target of non-variable annuity PBR and also expose insurers to long term interest rate and behavior risk.

*Why these contracts should be included:*

We believe these contracts should be included under VM-22 because current exclusion may create inconsistent reserving across economically similar products and increase reserving risk for companies.

*Below are the key reasons why we consider that it is important that these contracts are included within VM-22:*

1. The products in question are similar to non-variable annuities and expose insurers to market interest-rate risk, credit spread risk, surrender/withdrawal risk, and reinvestment risk, all of which are key risks intended to be covered in reserving under VM-22.
2. Having a common framework across various types of insurance products improves the company's ability to manage risks and reduces the chance of arbitrage, where a company may use product design differences to avoid VM-22 regulations.
3. These products often involve sophisticated asset liability management (ALM) strategies and contain embedded guarantees, similar to other products within VM-22. Applying VM-22 would help companies produce effective hedging strategies, because VM-22 incentivizes the use of strong ALM. In addition, applying VM-22 would align statutory reserves with the underlying economic risk profile, rather than relying on legacy prescriptive formulas that may under- or over-state risk. For example, insurers that use stable value contracts in retirement plan funding and institutional guaranteed accounts often carry large liabilities for these products. Bringing them under VM-22 could produce more accurate reserve levels reflecting actual economic exposure, and also improve capital planning, ALM strategy, and governance. Inclusion of these products within VM-22 will bring more products into the modern PBR framework and may enhance comparability across insurers as well as improved regulatory oversight.
4. Inclusion of these products would enhance reporting transparency by providing additional disclosures for regulators, rating agencies, and policyholders.
5. Inclusion of these products will address the risk of not recognizing participant behavior risk in modeling. VM-22 explicitly incorporates dynamic policyholder behavior, withdrawal sensitivity to interest rates, and economic scenario-driven behavior adjustments. Without VM-22 modeling, statutory reserves do not reflect this type of dynamic behavior.
6. Stable value contracts currently avoid stochastic tail risk quantification, which include quantification of the Market Value- Book Value shortfall. VM-22 is designed to measure tail interest-rate movements, market value declines, and portfolio volatility impacts, thus addressing this risk.

*Additional considerations:*

1. Including these products under VM-22 may make the reserving process more complicated and costly for impacted companies. It may also result in higher reserve requirements. For example, requiring more robust asset liability modeling, where it is not currently required, as well as requiring better alignment of the modeling liability assumptions to ensure accurate reserve outcomes will increase the reserving workload for companies.
2. Adding these products into VM-22 will require integrating the products into VM-22 reporting.
3. A shift to VM-22 would require stronger data quality, projection systems, and technology infrastructure, thus creating a particular burden for smaller or less sophisticated insurers.

Thank you for the opportunity to provide comments on this important topic. We can be reached at 813-506-7238/[lynn.manchester@riskreg.com](mailto:lynn.manchester@riskreg.com) or 404-372-4421/[veronika.cooper@riskreg.com](mailto:veronika.cooper@riskreg.com) if you or other members have any questions.

### Agenda Item 3

Discuss Comments on the Inforce Application of VM-22,  
Requirements for Principle-Based Reserves for Non-  
Variable Annuities

## VM-22 Inforce Exposure from Fall 2025 National Meeting

1. Which Approach should be chosen for optional vs. mandatory from the below table?

Approach	Description	Mandatory vs. Optional	Criteria for Continuing with CARVM	Granularity of Exemption/Optionality
C-1	Mandatory Application with Exemption	Mandatory	(1) Stand-Alone Cash Flow Testing; and/or (2) Demonstration that PBR < CARVM	Policy Form
C-2	Mandatory Application with Exemption	Mandatory	Same as C-1 but must be chosen to apply consistently across all products and issue years within scope of VM-22	All or Nothing
D	Optional Application: Consistent Across Block	Optional	Optional election but must be chosen to apply consistently to all products and issue years within scope of VM-22	All or Nothing
E	Optional Application: Optional by Product	Optional	Optional election for each policy form, but must apply consistent to all issue years within each policy form	Policy Form

2. How far back should VM-22 apply to issue years: 1/1/2017 (VM Operative Date), All Years, or Company Option?
3. When should the VM-22 Inforce become effective: as soon as possible following adoption or a predetermined future date (i.e., 1/1/2030)? Should there be a three-year implementation period or phase-in period?
4. Are there any concerns with regulatory resources for PBR reviews if VM-22 applies to inforce business?
5. Should there be an exemption from requiring groups of contracts to be valued under PBR if below a materiality threshold?
  - a. Propose any proposed metrics for a threshold (e.g., less than X% of a company's VM-22 reserves, less than \$Y, etc.)
  - b. Should such an exemption apply to closed blocks of business?



March 3, 2026

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

Re: VM-22 in force Exposure from Fall 2025 National Meeting

Dear Chair Hemphill:

On behalf of the Annuity Reserves and Capital Subcommittee (ARCS) of the American Academy of Actuaries,<sup>1</sup> I appreciate the opportunity to respond to [LATF's VM-22 in force Exposure](#) from the Fall 2025 National Meeting (Exposure) regarding VM-22 retrospective application.

1. This letter will present pros and cons of the options presented in the Exposure. It should also be noted that neither operational nor tax issues will be considered except at a high level in this letter. Benefits of mandatory adoption under Option C-1, Mandatory Application with Exemption, where policy forms may be excluded based on indicated testing or demonstrations, include:
  - a. More of the annuity reserves would be valued under the more modern and presumably preferable approach.
  - b. Increased consistency of reserve valuations within companies and increased comparability between companies.
  - c. The potential for increased consistency with possible upcoming changes to C3 phase 1.
  - d. Broader adoption of VM-22 would limit opportunities to allocate assets in a manner that minimizes reserves.
  - e. To the extent there are risks inherent in business in force that are not reflected in current reserve methodologies, mandatory adoption of the revised VM-22 would expose those risks more quickly and may identify under-reserved blocks.
  - f. PBR may incentivize stronger asset liability matching.
  - g. PBR documentation requirements and the VM-31 report may increase transparency into asset and liability risks in covered blocks.
  - h. Exclusion tests exist in VM-22 that can scope out blocks that meet specified criteria.

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Cons under Option C-1 include:

- a. Under the Additional Standard Projection Amount calculations, assumptions may not be appropriate for all blocks of business that would be covered.
- b. VM-22 may have very little impact on the reserve for certain small and/or older blocks of business. It is possible that some of these issues can be addressed through materiality exclusions (see question 5) and through use of the stochastic exclusion test.
- c. The VM-22 field test had limited participation and tested one economic environment. There may or may not be enough information to determine whether VM-22 works as intended for certain blocks of business, or whether enough information was gathered to understand the impacts on blocks of business across different economic environments.

Benefits and cons under Option C-2, Mandatory Application with Exemption, but must apply to all products and issue years within the scope of VM-22, would be the same as under Option C-1.

An additional con under C-2 is that being able to pass stand-alone cash flow testing (referring to all blocks subject to VM-22) is highly dependent on a company's mix of business at the point of testing. The blocks tested may have materially different cash flow testing results over time as the mix of business changes.

Under Option D, Optional Application: Consistent Across Block, benefits include:

- a. Companies retain some flexibility to choose and justify what blocks are valued under VM-22. Many of the considerations have been described above.
- b. It avoids any perception that reserves are in need of "correction" by mandating retrospective adoption.

Cons associated with Option D include:

- a. There may be challenges to make reserve comparisons between companies.
- b. There may be less synergy with C3 phase 1.
- c. There may be asset allocation choices that minimize reserves inappropriately.

Under Option E, Optional Application: Optional by Product, the same benefits and cons of Option D apply. An additional benefit of Option E over Option D is that companies would retain even more flexibility to decide which blocks should be valued under VM-22, again with the appropriate disclosure of the rationale for the choices made. The end result should be avoiding immateriality issues or valuing blocks under VM-22 with little impact on reserves. Option E is a bit more of a surgical approach to determining which blocks should properly be valued under VM-22, compared to the other options.

2. Retrospective application should go back to at least 2017, but applying to all issue years would be preferable.
3. A phase-in period would be ideal to ease the challenge for some companies applying the revised VM-22 to in force business by allowing the change to occur gradually. It would also be

beneficial, if possible, to align the adoption of VM-22 to in force business to the adoption date of any related revisions to C3 phase 1. Early adoption should be permitted.

4. We have no comment on regulatory resources.
5. We believe that there should be an exemption for immaterial blocks of business. This would alleviate practical concerns without materially reducing the integrity of the valuation. Since companies vary significantly in the size of their VM-22 blocks, there should be a percentage threshold, say less than x% of a company's VM-22 reserves. However, to accommodate smaller companies or companies with very small VM-22 blocks, there should also be a dollar threshold subject to a higher percentage, say, \$x million subject to being less than y% of a company's VM-22 reserves.

Closed blocks should be eligible for the materiality exemption, but it does not seem to make sense to exempt closed blocks entirely if those represent a substantial portion of a company's VM-22 reserves. Perhaps a higher materiality threshold percentage could be used for closed blocks.

Thank you for your consideration of these comments. Please contact Amanda Barry-Moilanen ([barrymoilanen@actuary.org](mailto:barrymoilanen@actuary.org)), the Academy's policy project manager, life, with any questions on this comment letter.

Sincerely,  
Bruce Friedland, MAAA, FSA  
Chairperson, Annuity Reserves and Capital Subcommittee  
American Academy of Actuaries



[Brian Bayerle](#)  
Chief Life Actuary  
202-624-2169

[Colin Masterson](#)  
Sr. Policy Analyst  
202-624-2463

March 11, 2026

Ben Slutsker  
Chair, NAIC Valuation Manual (VM)-22 (A) Subgroup (Subgroup)

Elaine Lam  
Vice Chair, NAIC Valuation Manual (VM)-22 (A) Subgroup (Subgroup)

Re: Questions on VM-22 In Force Application

Dear Chair Slutsker:

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide further commentary on the concept of in force Application of VM-22 (Requirements for Principle-Based Reserves for Non-Variable Annuities) and the extended comment period to ensure a robust conversation on this important topic. We also thank NAIC regulators and staff for their continued work advancing VM-22.

In short, ACLI supports optional retrospective application at the company's election—specifically approach “E.” Mandatory implementation would be impracticable and unwarranted for several reasons:

- **Material elements of the framework have yet to be determined.** Multiple APFs have been exposed since VM-22 was adopted that contemplate refinement or expansion of VM-22. APF 2025-12 could create situations in which the Standard Projection Amount (SPA) may be binding; industry believes further refinement of the SPA is appropriate and necessary given known limitations in the SPA assumptions. Additionally, there are several APFs addressing the scope of VM-22.
- **The framework will likely change before 2029.** This year marks the first time companies are permitted to use VM-22 before mandatory implementation for new business in 2029. Like VM-20, there will likely be significant lessons learned by both companies and regulators in the early years. In addition, there are potentially unknown secondary impacts that should be considered, including but not limited to impacts on capital framework (C3P1), reinsurance, tax, hedging, and asset investment strategy.
- **VM-22 Models are not developed.** Many companies are in early stages of development of their VM-22 models, and until models can be run and tested, the impact on new business cannot be adequately assessed, let alone potential impacts on in force blocks.

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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.

## Responses to Exposure Questions

### Question 1: Which Approach should be chosen for optional vs. mandatory?

ACLI supports Approach E, allowing company election at the policy form level. An “all or nothing” approach may force PBR to be implemented for products where the existing pre-PBR CARVM standard appropriately reflects the risks associated with those products. Further, mandatory retrospective application to all business subject to VM-22 would create a significant operational burden for companies.

Beyond the concerns noted above about mandatory application, we have additional concerns regarding the proposed criteria:

- Standalone Cash-Flow Testing (CFT) would create an entirely new standard for reserving requirements. Given that CFT assumptions are already set under moderately adverse conditions, overall company sufficiency should provide regulators sufficient comfort that aggregate reserves are adequate.
- Requiring a demonstration that PBR CARVM reserves are lower than pre-PBR CARVM reserves would be circular and operationally burdensome. Companies would need to build and validate VM-22 models merely to qualify for not using them—largely, negating the purpose of such a criterion.

### Question 2: How far back should VM-22 apply to issue years?

Companies should determine the applicable issue years for any optional retrospective election. We do not offer a specific recommendation for application prior to 1/1/2017, however, we believe consideration needs to be given to the product types that could be impacted by retroactive application.

### Question 3: When should the VM-22 Inforce become effective: as soon as possible following adoption or a predetermined future date (i.e., 1/1/2030)? Should there be a three-year implementation period or phase-in period?

Because ACLI supports optional retrospective application, companies should have the flexibility to implement VM-22 for in force business as soon as they are operationally ready. Companies are best positioned to determine when systems, models, governance, and controls are sufficiently developed to extend VM-22 prudently to in force blocks. Therefore, the need to specify an effective date, phase-in, and exemption level should be unnecessary.

### Question 4: Are there concerns with regulatory resources for PBR reviews if VM-22 applies to inforce business?

Optional retrospective application would reduce the number of VM-22 filings regulators must review, thereby mitigating potential resource constraints. We are committed to continued engagement to support efficient, risk-focused review processes and clear supervisory expectations. While we support optional retrospective application under Approach E, we also recognize that this exposure addresses direction at a high level and the details will be critical; we look forward to continued engagement to work through those details in the next round.

Thank you once again for the opportunity to provide this feedback. We look forward to additional discussions on this topic soon.

Sincerely,

 Colin Masterson

cc: Amy Fitzpatrick, NAIC

Agenda Item 4  
Discuss the Work of the Experience  
Reporting (A) Subgroup

**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.  
  
 Seong-min Eom, NJ Division of Insurance  
 Pat Allison and Angela McNabb, NAIC  
  
 NAIC Collection of Group Annuity Mortality Experience
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:  
  
VM-50  
 Section 2.B  
 Section 4.B  
  
VM-51  
 Section 2 title  
 Section 2.C  
 Section 2.D  
 New Section 3: Statistical Plan for Group Annuity Mortality  
 Appendices 1-4  
 New Appendix 5: Group Annuity Mortality Data Elements and Format
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 attachment.  
  
 Note:  
 The NAIC relied on the following SOA work product, parts of which were reproduced with permission and used to draft this amendment to the *Valuation Manual* for group annuitant mortality experience:
  - 2015 – 2018 Group Annuity Mortality Experience Report. Copyright 2022, The Society of Actuaries and Society of Actuaries Research Institute, Chicago, Illinois.
4. State the reason for the proposed amendment. (You may do this through an attachment.)  
  
 This amendment establishes a Statistical Plan for Group Annuity Mortality and designates the NAIC as the Experience Reporting Agent.

\* This form is not intended for minor corrections, such as formatting, grammar, cross-references or spelling. Those types of changes do not require action by the entire group and may be submitted via letter or email to the NAIC staff support person for the NAIC group where the document originated.

NAIC Staff Comments:

Dates: Received	Reviewed by Staff	Distributed	Considered
<b>Notes:</b> APF 2024-12: Draft for 4 <sup>th</sup> exposure			

**VM-50: Experience Reporting Requirements**

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**Section 1: Overview**

A. Purpose of the Experience Reporting Requirements

The purpose of this section is to define the requirements pursuant to Section 13 of Model #820 for the submission and analysis of company data. It includes consideration of the experience reporting process, the roles of the relevant parties, and the intended use of and access to the data, and the process to protect the confidentiality of the data as outlined in Model #820.

B. PBR and the Need for Experience Data

The need for experience data includes but is not limited to:

1. PBR may require development of assumptions and margins based on company experience, industry experience or a blend of the two. The collection of experience data provides a database to establish industry experience tables or factors, such as valuation tables or factors as needed.
2. The development of industry experience tables provides a basis for assumptions when company data is not available or appropriate and provides a comparison basis that allows the state insurance regulator to perform reasonableness checks on the appropriateness of assumptions as documented in the actuarial reports.
3. The collection of experience data may assist state insurance regulators, reviewing actuaries, auditors and other parties with authorized access to the PBR actuarial reports to perform reasonableness checks on the appropriateness of principle-based methods and assumptions, including margins, documented in those reports.
4. The collection of experience data provides an independent check on the accuracy and completeness of company experience studies, thereby encouraging companies to establish a disciplined internal process for producing experience studies. Industry aggregate or sub-industry aggregate experience studies may assist an individual company for use in setting experience-based assumptions. As long as the confidentiality of each company's submitted results is maintained, a company may obtain results of a study on companies' submitted experience for use in formulating experience assumptions.
5. The collection of experience data will provide a basis for establishing and updating the

assumptions and margins prescribed by regulators in the *Valuation Manual*.

6. The reliability of assumptions based on company experience is founded on reliable historical data from comparable characteristics of insurance policies including, but not limited to, underwriting standards and insurance policy benefits and provisions. As with all forms of experience data analysis, larger and more consistent statistical samples have a greater probability of producing reliable analyses of historic experience than smaller or inconsistent samples. To improve statistical credibility, it is necessary that experience data from multiple companies be combined and aggregated.
7. The collection of experience data allows state insurance regulators to identify outliers and monitor changes in company experience factors versus a common benchmark to provide a basis for exploring issues related to those differences.
8. PBR is an emerging practice and will evolve over time. Research studies other than those contemplated at inception may be useful to improvement of the PBR process, including increasing the accuracy or efficiency of models. Because the collection of experience data will facilitate these improvements, research studies of various types should be encouraged.
9. The collection of experience data is not intended as a substitute for a robust review of companies' methodologies or assumptions, including dialogue with companies' actuaries.

## Section 2: Statutory Authority and Experience Reporting Agent

### A. Statutory Authority

1. Model #820 provides the legal authority for the *Valuation Manual* to prescribe experience reporting requirements with respect to companies and lines of business within the scope of the model.
2. The statutes and regulations requiring data submissions generally apply to all companies licensed to sell life insurance, A&H insurance and deposit-type contracts. These companies must submit experience data as prescribed by the *Valuation Manual*.
3. Section 14A(5) of Model #820 defines the data to be collected to be confidential.

### B. Experience Reporting Agent

1. For the purposes of implementing the experience reporting required by state laws based on Section 13 of Model #820, an Experience Reporting Agent will be used for the purpose of collecting, pooling and aggregating data submitted by companies as prescribed by lines of business included in VM-51.
- ~~2. The NAIC is designated as Experience Reporting Agent for the Statistical Plan for Mortality beginning Jan. 1, 2020, and NAIC expertise in collecting and sorting data from multiple sources into a cohesive database in a secure and efficient manner, but the designation of the NAIC as Experience Reporting Agent does not preclude state insurance regulators from independently engaging other entities for similar data required under this *Valuation Manual* or other data purposes.~~

2. The NAIC is designated as Experience Reporting Agent for the following Statistical Plans:
  - a. Life Insurance Mortality, beginning Jan. 1, 2020
  - b. Group Annuity Mortality, beginning Jan. 1, 2027.
3. The designation of the NAIC as Experience Reporting Agent does not preclude state insurance regulators from independently engaging other entities for similar data required under this *Valuation Manual* or other data purposes.
4. The NAIC shall collect an annual fee from companies participating in the data collections.

### Section 3: Experience Reporting Requirements

#### A. Statistical Plans

1. Consistent with state laws based on Section 13 of Model #820, the Experience Reporting Agent shall collect experience data based on statistical plans defined in the *Valuation Manual*.
2. Statistical plans are detailed instructions that define the type of experience data being collected (e.g., mortality; elective policyholder behavior, such as surrenders, lapses, premium payment patterns, etc.; and company expense data, such as commissions, policy expenses, overhead expenses etc.). The state insurance regulators serving on the Life Actuarial (A) Task Force and Health Actuarial (B) Task Force, or any successor body, will be responsible for prescribing the requirements for any statistical plan by applicable line of business. For each type of experience data being collected, the statistical plan will define the data elements and format of each data element, as well as the frequency of the collection of experience data. The statistical plan will define the process and the due dates for submitting the experience data. The statistical plan will define criteria that will determine which companies must submit the experience data. The statistical plan will also define the scope of business that is to be included in the experience data collection, such as lines of business, product types, types of underwriting, etc. Statistical plans are defined in VM-51 of the *Valuation Manual*. Statistical plans will be added to VM-51 of the *Valuation Manual* when they are ready to be implemented. Additional data elements and formats to be collected will be added as necessary, in subsequent revisions to the *Valuation Manual*.
3. Data must conform to common data definitions. Standard definitions provide for stable and reliable databases and are the basis of meaningful aggregated insurance data. This will be accomplished through a uniform set of suggested minimum experience reporting requirements for all companies.

#### B. Role and Responsibilities of the Experience Reporting Agent

1. Based on requirements of VM-51, the Experience Reporting Agent may design its data collection procedures to ensure it is able to meet these regulatory requirements. The Experience Reporting Agent will provide sufficient notice to reporting companies of changes, procedures and error tolerances to enable the companies to adequately prepare for

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the data submission.

2. The Experience Reporting Agent will aggregate the experience of companies using a common set of classifications and definitions to develop industry experience tables.
3. The Experience Reporting Agent will seek to enter into agreements with a group of state insurance departments for the collection of information under statistical plans included in VM-51. The number of states that contract with the Experience Reporting Agent will be based on achieving a target level of industry experience prescribed by VM-51 for each line of business in preparing an industry experience table.
  - a. The agreement between the state insurance department(s) and the Experience Reporting Agent will be consistent with any data collection and confidentiality requirements included within Model #820 and the *Valuation Manual*. Those state insurance departments seeking to contract with the Experience Reporting Agent will inform the Experience Reporting Agent of any other state law requirements, including laws related to the procurement of services that will need to be considered as part of the contracting process.
  - b. Use of the Experience Reporting Agent by the contracting state insurance departments does not preclude those state insurance departments or any other state insurance departments from contracting independently with another Experience Reporting Agent for similar data required under this *Valuation Manual* or other data purposes.
4. The Life Actuarial (A) Task Force or Health Actuarial (B) Task Force will be responsible for the content and maintenance of the experience reporting requirements. The Life Actuarial (A) Task Force or Health Actuarial (B) Task Force or a working group will monitor the data definitions, quality standards, appendices and reports described in the experience reporting requirements to assure that they take advantage of changes in technology and provide for new regulatory and company needs.
5. To ensure that the experience reporting requirements will continue to be useful, the Life Actuarial (A) Task Force or Health Actuarial (B) Task Force will seek to review each statistical plan on a periodic basis at least once every five years. The Life Actuarial (A) Task Force or Health Actuarial (B) Task Force should have regular dialogue, feedback and discussion of this topic. In seeking feedback and engaging in discussions, the Life Actuarial (A) Task Force or Health Actuarial (B) Task Force shall include a broad range of data users, including state insurance regulators, consumer representatives, members of professional actuarial organizations, large and small companies, and insurance trade organizations.
6. The Experience Reporting Agent will obtain and undergo at least annual external audits to validate that controls with respect to data security and related topics are consistent with industry standards and best practices. The Experience Reporting Agent will provide a copy of any report prepared in connection with such an audit, upon a company's request. In the event of a material deficiency identified in the external audit or in the event of an identified

security breach affecting the Experience Reporting Data, the Experience Reporting Agent shall notify the NAIC, and the states that have directed the Experience Reporting Agent to collect this information, of the nature and extent of such an issue. In the event of an identified security breach affecting Experience Reporting Data, the Experience Reporting Agent shall also notify any insurer whose data was affected. Upon good cause shown, the Experience Reporting Agent will take reasonable actions to protect the data under its control, including that the data submission process may be suspended until the security issue has been remediated. If data submission is suspended under this section, the Experience Reporting Agent will work with the states that have directed collection to issue appropriate guidance modifying the requirements of VM 51, Section 2.D and/or Section 3.D. The term “good cause” shall mean that there is the chance of irreparable harm upon continuing the transmission of the data to the Experience Reporting Agent. Once the security issue has been remediated, the Experience Reporting Agent shall notify the NAIC and the states that have directed the Experience Reporting Agent to collect this information. The Experience Reporting Agent shall work in conjunction with the NAIC and the states that have directed the Experience Reporting Agent to collect this information to develop a revised data submission schedule for any deferred submissions. The revised schedule shall provide for reasonable timing for companies to provide such data.

**Commented [AM1]:** This was a correction added for the 4<sup>th</sup> exposure (3/2026).

#### C. Role of Other Organizations

The Experience Reporting Agent may ask for other organizations to play a role for one or more of the following items, including the execution of agreements and incorporation of confidentiality requirements where appropriate:

1. Consult with the NAIC (as appropriate) in the design and implementation of the experience retrieval process;
2. Assist with the data validation process for data intended to be forwarded to the SOA or other actuarial professional organizations to develop industry experience tables;
3. Analyze data, including any summarized or aggregated data produced by the Experience Reporting Agent;
4. Create initial experience tables and any revised tables;
5. Provide feedback in the development and evaluation of requests for proposal for services related to the reporting of experience requirement;
6. Create statutory valuation tables as appropriate and necessary;
7. Determine and produce additional industry experience tables or reports that might be suggested by the data collected;
8. Work with the Life Actuarial (A) Task Force or Health Actuarial (B) Task Force, in accordance with the *Valuation Manual* governance process, in developing new reporting formats and modifying current experience reporting formats;

9. Support a close working relationship among all parties having an interest in the success of the experience reporting requirement.

#### Section 4: Data Quality and Ownership

##### A. General Requirements

1. The quality, accuracy and consistency of submitted data is key to developing industry experience tables that are statistically credible and represent the underlying emerging experience. Statistical procedures cannot easily detect certain types of errors in reporting of data. For example, if an underwriter fails to evaluate the proper risk classification for an insured, then the “statistical system” has little chance of detecting such an error unless the risk classification is somehow implausible.
2. To ensure data quality, coding a policy, loss, transaction or other body of data as anything other than what it is known as is prohibited. This does not preclude a company from coding a transaction with incomplete detail and reporting such transactions to the Experience Reporting Agent, but there can be nothing that is known to be inaccurate or deceptive in the reporting. An audit of a company’s data submitted to the Experience Reporting Agent under a statistical plan in VM-51 can include comparison of submitted data to other company files.
3. When the Experience Reporting Agent determines that the cause of an edit exception could produce systematic errors, the company must correct the error and respond in a timely fashion, with priority given to errors that have the largest likelihood to affect a significant amount of data. When an error is found that has affected data reported to the Experience Reporting Agent, the company shall report the nature of the error and the nature of its likely impact to the Experience Reporting Agent. Retrospective correction of data subject to systematic errors shall be done when the error affects a significant amount of data that is still being used for regulatory purposes and it is reasonably practical to make the correction through the application of a computer program or a procedure applied to the entire data set without the need to manually examine more than a small number of individual records.

##### B. Specific Requirements

1. Once the data file is submitted by the company, the Experience Reporting Agent will perform a validity check of the data elements within each data record in the data file for proper syntax and verify that required data elements are populated. The Experience Reporting Agent will notify the company of all syntax errors and any missing data elements that are required. Companies are required to respond to the Experience Reporting Agent by submitting a corrected data file. The Experience Reporting Agent will provide sufficient notice to reporting companies of changes, procedures and error tolerances to enable the companies to adequately prepare for the data submission.
2. Each submission of data filed by a company with the Experience Reporting Agent shall be balanced against a set of control totals provided by the company with the data submission. ~~At a minimum, these control totals shall include applicable record counts, claim counts,~~

- ~~amounts insured and claim amounts.~~ Any submission that does not balance to the control totals shall be referred to the company for review and resolution.
- a. Control totals for the Statistical Plan for Life Insurance Mortality shall include applicable record counts, claim counts, amounts insured, and claim amounts.
  - b. Control totals for the Statistical Plan for Group Annuity Mortality shall include applicable certificate counts and annual income inforce.
3. Each company submitting experience data and each company on whose behalf data is being submitted as required in VM-51 will perform a reconciliation between its submitted experience data with its statistical and financial data, and provide an explanation of differences, to the Experience Reporting Agent.
- a. For the Statistical Plan for Life Insurance Mortality, ~~the~~ reconciliation must include policy count and insurance amount.
  - b. For the Statistical Plan for Group Annuity Mortality, the reconciliation must include certificate counts, annual income inforce, and statutory reserves.
4. **Third-Party Administration Reporting**
- a. If a third-party administrator (TPA) that is not an insurance company or an insurance company not required to submit its direct data is submitting data on behalf of an insurance company, the reconciliation will consist of separate lines identifying each insurance company for whom this entity is submitting data.
  - b. If the TPA is an insurance company that is required to submit its direct data, the reconciliation must include separate lines identifying each additional company whose data is being submitted.
  - c. The reconciliation to company statistical and financial data for both the direct writer and the reinsurer or TPA must include lines indicating the amount of business that is being reported by the reinsurer or TPA. The NAIC will use this information to confirm that all in-scope business is reported and that there is no double counting of policies.
5. Validity checks are designed to identify:
- a. Improper syntax or incomplete coding (e.g., a numeric field that is not numeric, missing elements of a date field);
  - b. Data elements containing codes that are not contained within the set of possible valid codes;
  - c. Data elements containing codes that are contained within the set of possible valid codes but are not valid in conjunction with another data element code;
  - d. Required data elements that are not populated.
6. Where quality would not appear to be significantly compromised, the Experience Reporting Agent may use records with missing or invalid data if such invalid or missing data do not involve a field that is relevant or would affect the credibility of the report. For companies with a body of data for a state, line of business, product type or observation period that fails to meet these standards, the Experience Reporting Agent will use its discretion, with regulatory disclosure of key decisions made, regarding the omission of the entire body of data or only including records with valid data. Completeness of reports is

Commented [AM2]: Moved this from Section 3 to a separate section.

desirable, but not at the risk of including a body of data that appears to have an unreasonably high chance of significant errors.

7. Errors of a consistent nature are referred to as “systematic.” Incorrect coding instructions can introduce errors of a consistent nature. Programming errors within the data processing system of ~~insurer~~ the insurance company can also produce systematic miscoding as the system converts data to the required formats for experience reporting. Most systematic errors will produce data that, when reviewed using tests designed to reveal various types of systematic errors, will appear unreasonable and likely to be in error. In addition, some individual coding errors may produce erroneous results that show up when exposures and losses are compared in a systematic fashion. Such checking often cannot, however, provide a conclusive indication that data with unusual patterns is incorrect. The Experience Reporting Agent will perform tests and look at trends using previously reported data to determine if systematic errors or unusual patterns are occurring.
8. The Experience Reporting Agent will undertake reasonability checks that include the comparison of aggregate and company experience for underwriting class and type of coverage data elements for the current reporting period to company and aggregate experience from prior periods for the purpose of identifying potential coding or reporting errors. When reporting instructions are changed, newly reported data elements shall be examined to see that they correlate reasonably with data elements reported under the old instructions.
9. At a minimum, reasonability checks by the Experience Reporting Agent will include:
  - a. An unusually large percentage of company data reported under a single or very limited number of categories;
  - b. Unusual or unlikely reporting patterns in a company’s data;
  - c. Claim amounts that appear unusually high or low for the corresponding exposures;
  - d. Reported claims without corresponding policy values and exposures;
  - e. Unreasonable loss frequencies or amounts in comparison to ranges of expectation that recognize statistical fluctuation;
  - f. Unusual shifts in the distribution of business from one reporting period to the next.
10. If a company’s unusual pattern under Section 4.B. ~~98~~a, Section 4.B. ~~98~~.b or Section 4.B. ~~98~~.c is verified as accurate (that is, the reason for the apparent anomaly is an unusual mix of business), then it is not necessary that a similar pattern for the same company be reconfirmed year after year.
11. The Experience Reporting Agent will keep track of the results of the validity and reasonability checks and may adjust thresholds in successive reporting years to maintain a reasonable balance between the magnitude of errors being found and the cost to companies.

Commented [AM3]: This was a correction put in for the 4<sup>th</sup> exposure (03/2026).

12. Results that may indicate a likelihood of critical indications, as defined below, will be reported to the company with an explanation of the unusual findings and their possible significance. When the possible or probable errors appear to be of a significant nature, the Experience Reporting Agent will indicate to the company that this is a “critical indication.” “Critical indications” are those that, if not corrected or confirmed, would leave a significant degree of doubt whether the affected data should be used in reports to the state insurance regulator and included in industry databases. It is intended that Experience Reporting Agents will have reasonable flexibility to implement this under the direction of the state insurance regulators. Also, under the direction of the state insurance regulators, the Experience Reporting Agent may grade the severity of indications, or it may simply identify certain indications as critical. While companies are expected to undertake a reasonable examination of all indications provided to them, they are not required to respond to every indication except for those labeled by the Experience Reporting Agent as “critical.”
13. The Experience Reporting Agent will use its discretion regarding the omission of data from reports owing to the failure of an ~~insurer~~-insurance company to respond adequately to unusual reasonability indications. Completeness of reports is desirable, but not at the risk of including data that appears to have an unreasonably high chance of containing significant errors.
14. Companies shall acknowledge and respond to reasonability queries from the Experience Reporting Agent. This shall include specific responses to all critical indications provided by the Experience Reporting Agent. Other indications shall be studied for apparent errors, as well as for indications of systematic errors. Corrections for critical indications shall be provided to the Experience Reporting Agent or, when a correction is not feasible, the extent and nature of the error shall be reported to the Experience Reporting Agent.
15. ~~The Experience Reporting Agent will calculate Actual to Expected (A/E) ratios for each company based on the records deemed acceptable after the data review process has been completed. An accredited actuary is required to review and sign off on the reasonableness of the A/E ratios. The company shall correct and resubmit their data if A/E ratios are found to be unreasonable.~~

C. Ownership of Data

1. Experience data submitted by companies to the Experience Reporting Agent will be considered the property of the companies submitting such data, but the recognition of such ownership will not affect the ability of state insurance regulators or the NAIC to use such information as authorized by state laws based on Model #820 or the *Valuation Manual*, or, in case of state insurance regulators, for solvency oversight, financial examinations and financial analysis.
2. The Experience Reporting Agent will be responsible for maintaining data, error reports, logs and other intermediate work products, and reports for use in processing, documentation, production and reproduction of reports provided to state insurance regulators in accordance with the *Valuation Manual*. The Experience Reporting Agent will

be responsible for demonstrating such reproducibility at the request of state insurance regulators or an auditor designated by state insurance regulators.

## Section 5: Experience Data

### A. Introduction

1. Using the data collected under statistical plans, as defined in the *Valuation Manual*, the Experience Reporting Agent produces aggregate databases as defined by this *Valuation Manual*. The Experience Reporting Agent, and/or other persons assisting the Experience Reporting Agent, will utilize those databases to produce industry experience tables and reports as defined in the *Valuation Manual*. In order to ensure continued relevance of reports, each defined data collection and resulting report structure shall be reviewed for usefulness at least once every five years since initial adoption or prior review.
2. Data compilations are evaluated according to four distinct, and often competing, standards: quality, completeness, timeliness and cost. In general, quality is a primary goal in developing any statistical data report. The priorities of the other three standards vary according to the purpose of the report.
3. The Experience Reporting Agent may modify or enlarge the requirements of the *Valuation Manual*, through recommendation to the Life Actuarial (A) Task Force or Health Actuarial (B) Task Force and in accordance with the *Valuation Manual* governance process for information to accommodate changing needs and environments. However, in most cases, changes to existing data reporting systems will be feasible only to provide information on future transactions. Requirements to submit new information may require that companies change their systems. Also, the Experience Reporting Agent may need several years before it can generate meaningful data meeting the new requirements with matching claims and insured amounts. The exact time frames for implementing new data requirements and producing reports will vary depending on the type of reports.

### B. Design of Reports Linked to Purpose

Fundamental to the design of each report is an evaluation of its purpose and use. The Life Actuarial (A) Task Force and Health Actuarial (B) Task Force shall specify model reports responding to general regulatory needs. These model reports will serve the basic informational needs of state insurance regulators. To address a particular issue or problem, a state insurance regulator may have to request to the Life Actuarial (A) Task Force or Health Actuarial (B) Task Force that additional reports be developed.

### C. Basic Report Designs

1. The Life Actuarial (A) Task Force or Health Actuarial (A) Task Force will designate basic types of reports to meet differing needs and time frames. Each statistical plan defined in VM-51 of the *Valuation Manual* will provide a detailed description of the reports, the frequency and time frame for the reports. Statistical compilations are anticipated to be the primary reports.

2. Statistical compilations are aggregate reports that generally match appropriate exposure amounts and transaction event amounts to evaluate the recent experience for a line of business. For example, a statistical compilation of mortality experience would match insurance face amounts exposed to death with actual death claims paid. Here the exposure amount is the total insurance face amount exposed to death, and the transaction event amounts would be the death claims paid. As another example, a statistical compilation of surrender experience would match total cash surrender amounts exposed to surrender with actual surrender amounts paid. Here the exposure amount is the total cash surrender amounts that could be surrendered, and the transaction event amounts would be the total surrender amounts actually paid. Statistical compilations can be performed for the industry or for the state of domicile.
3. In addition to statistical compilations, state insurance regulators can specify additional reports based on elements in the statistical plans in VM-51. State insurance regulators can also use statistical compilations and additional reports to evaluate non-formulaic assumptions.
4. The Life Actuarial (A) Task Force or Health Actuarial (B) Task Force will specify the reports to be provided to the professional actuarial associations to fulfill their roles as specified in Section 3.C of this VM-50. In general, the reports are expected to include statistical compilation at the industry level.
5. State insurance regulators can use the reports to review long-term trends. Aggregate experience results may indicate areas warranting additional investigation.

D. Supplemental Reports

1. For specific lines of business and types of experience data, state insurance regulators may request additional reports from the Experience Reporting Agent. State insurance regulators also may request custom reports, which may contain specific data or experience not regularly produced in other reports.
2. The regulator and the Experience Reporting Agent must negotiate time schedules for producing supplemental reports. The information in these reports is limited by the amount of data actually available and the manner in which it has been reported.

E. Reports to State Insurance Departments

The Experience Reporting Agent will periodically provide the following reports to state insurance departments:

1. A list of companies whose data is included in the compilation.
2. A list of companies whose data was excluded from the compilation because it fell outside of the tolerances set for missing or invalid data, or for any other reason.

**Section 6: Confidentiality of Data**

A. Confidentiality of Experience Data

1. The confidentiality of the experience data, experience materials and related information collected pursuant to the *Valuation Manual* is governed by state laws based on Section 14A(5) of Model #820. The following information is considered “confidential information” by state laws based on Section 14A(5) of the Model #820:

Any documents, materials, data and other information submitted by a company under Section 13 of [the Standard Valuation Law] (collectively, “experience data”) and any other documents, materials, data and other information, including, but not limited to, all working papers, and copies thereof, created or produced in connection with such experience data, in each case that include any potentially company-identifying or personally identifiable information, that is provided to or obtained by the commissioner (together with any “experience data,” the “experience materials”) and any other documents, materials, data and other information, including, but not limited to, all working papers, and copies thereof, created, produced or obtained by or disclosed to the commissioner or any other person in connection with such experience materials.

2. Nothing in the experience reporting requirements or elsewhere within the *Valuation Manual* is intended to, or should be construed to, amend or supersede any applicable statutory requirements, or otherwise require any disclosure of confidential data or materials that may violate any applicable federal or state laws, rules, regulations, privileges or court orders applicable to such data or materials.

B. Treatment of Confidential Information

1. Confidential information may be shared only with those individuals and entities specified in state laws based on Section 14B(3) of Model #820. Any agreement between a state insurance department and the Experience Reporting Agent will address the extent to which the Experience Reporting Agent is authorized to share confidential information consistent with state law.
2. The Experience Reporting Agent may be required to use confidential information in order to prepare compilations of aggregated experience data that do not permit identification of individual company experience or personally identifiable information. These reports of aggregated information, including those reports referenced in Section 5 of VM-50, are not considered confidential information, and the Experience Reporting Agent may make publicly available such reports. Reports using aggregate experience data will have sufficient diversification of data contributors to avoid identification of individual companies.
3. Consistent with state laws based on Section 14B(3) of the Model #820 and any agreements between a state insurance department and the Experience Reporting Agent, access to the confidential information will be limited to:
  - a. State, federal or international regulatory agencies;

- b. The company with respect to confidential information it has submitted, and any reports prepared by the Experience Reporting Agent based on such confidential information;
- c. The NAIC, and its affiliates and subsidiaries;
- d. Auditor(s) of the Experience Reporting Agent for purposes of the experience reporting function outlined in this VM-50; and
- e. Other individuals or entities, including contractors or subcontractors of the Experience Reporting Agent, otherwise assisting the Experience Reporting Agent or state insurance regulators in fulfilling the purposes of VM-50. These other individuals or entities may provide services related to a variety of areas of expertise, such as assisting with performing industry experience studies, developing valuation mortality tables, data editing and data quality review. These other individuals and entities shall be subject to the same standards as the Experience Reporting Agent with respect to the maintenance of confidential information.

**VM-51: Experience Reporting Formats**

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**Section 1: Introduction**

- A. The experience reporting requirements are defined in Section 3 of VM-50. The experience reporting requirements state that the Experience Reporting Agent will collect experience data based on statistical plans that are defined in VM-51 of the *Valuation Manual*. Statistical plans are to be added to VM-51 of the *Valuation Manual* when they are ready to be implemented.
- B. Each statistical plan shall contain the following information:
1. The type of experience data to be collected (e.g., mortality experience; policy behavior experience, such as surrenders, lapses, conversions, premium payment patterns, etc.; and company expense experience, such as commission expense, policy issue and maintenance expense, company overhead expenses etc.);
  2. The scope of business to be included in the experience data to be collected (e.g., line(s) of business, such as individual or group, life, annuity or health; product type(s), such as term, whole life, universal life, indexed life, variable life, fixed annuity, indexed annuity, variable annuity, LTC or disability income; and type of underwriting, such as medically underwritten, simplified issue (SI), GI, accelerated, etc.);
  3. The criteria for determining which companies or legal entities must submit the experience data to be collected;
  4. The process for submitting the experience data to be collected, which will include the frequency of the data collection, the due dates for data collection and how the data is to be submitted to the Experience Reporting Agent;
  5. The individual data elements and format for each data element that will be contained in each experience data record, along with detailed instructions defining each data element or how to code each data element. Additional information may be required, such as questionnaires and plan code forms that will assist in defining the individual data elements that may be unique to each company or legal entity submitting such experience data elements;

6. The experience data reports to be produced.

**Section 2: Statistical Plan for Life Insurance Mortality**

**A. Type of Experience Collected Under This Statistical Plan**

The type of experience to be collected under this statistical plan is mortality experience.

**B. Scope of Business Collected Under This Statistical Plan**

1. The data for this statistical plan is the individual ordinary life line of business. Such business is to include direct written business issued in the U.S. All values should be prior to any reinsurance ceded except for the situation defined in VM-51 Section 2.B.2. Assumption reinsurance of an individual ordinary life line of business, where the assuming company is legally responsible for all benefits and claims paid, shall be included within the scope of this statistical plan. The ordinary life line of business does not include separate lines of business, such as SI/GI, worksite, individually solicited group life, direct response, final expense, preneed, home service, credit life, and corporate-owned life insurance (COLI)/bank-owned life insurance (BOLI)/charity-owned life insurance (CHOLI).
2. In the event a reinsurer or TPA is responsible for administering a block of business, the reinsurer or TPA may submit that block of business on behalf of the direct writer. In this case, the reinsurer or TPA must be identified in Appendix 4 Item 1 - Submitting Company ID, and the direct writer must be identified in Appendix 4 Item 2 - NAIC Company Code of Direct Writer.
  - a. As defined in VM-50 Section 4.B.43, the reconciliation to company statistical and financial data for both the direct writing company and all reinsurers and/or TPAs must include lines indicating the amount of business that is being reported by the reinsurers and/or TPAs. The Experience Reporting Agent will compare the reconciliations for all business submitted by the direct writer and any reinsurers and/or TPAs to ensure that all business is included and that there is no double counting of policies.
  - b. If an insurance company is required to submit its direct written business and it also has reinsurance assumed business, it should only submit the assumed business if asked to do so by the ceding company since some ceding companies may not have been selected for data submission.
3. The direct writing company is ultimately responsible for all the data submitted for its company.

**C. Criteria to Determine Companies That Are Required to Submit Experience Data**

The Experience Reporting Agent, under the direction of the Life Actuarial (A) Task Force, will select companies that are required to submit experience data. The selection of companies will be based on achieving a target level of approximately 85% of industry mortality experience in scope. Companies selected to submit mortality experience data are expected to continue reporting their experience in future years, barring circumstances justifying an exemption. The list of companies selected is subject to change. Additional companies may be selected to maintain the target level of industry experience. Any additional companies selected will be given sufficient notice to prepare for the data submission.

Companies with less than \$50 million of direct individual life premium shall be exempted from reporting experience data required under this statistical plan. This threshold for exemption shall be measured based on aggregate premium volume of all affiliated companies and shall be reviewed annually and be subject to change by the Experience Reporting Agent. At its option, a group of nonexempt affiliated companies may exclude from these requirements affiliated companies with less than \$10 million direct individual life premium provided that the affiliated group remains nonexempt.

Additional exemptions may be granted by the Experience Reporting Agent where appropriate, following consultation with the domestic insurance regulator, ~~based on achieving a target level of approximately 85% of industry experience for the type of experience data being collected under this statistical plan.~~

D. Process for Submitting Experience Data Under This Statistical Plan

Data for this statistical plan for mortality shall be submitted on an annual basis. Each company required to submit this data shall submit the data using the Regulatory Data Collection (RDC) online software submission application developed by the Experience Reporting Agent. For each data file submitted by a company, the Experience Reporting Agent will perform reasonability and completeness checks, as defined in Section 4 of VM-50, on the data. The Experience Reporting Agent will notify the company within 30 days following the data submission of any possible errors that need to be corrected. The Experience Reporting Agent will compile and send a report listing potential errors that need correction to the company.

Data for this statistical plan for mortality will be compiled using a calendar year method. The reporting calendar year is the calendar year that the company submits the experience data. The observation calendar year is the calendar year of the experience data that is reported. The observation calendar year will be one year prior to the reporting calendar year. For example, if the current calendar year is 2024 and that is the reporting calendar year, the company is to report the experience data that was in-force or issued in calendar year 2023, which is the observation calendar year. ~~For the 2024 reporting calendar year, companies who are required to submit data for this statistical plan for mortality will be required to submit two observation calendar years of data, namely observation calendar year 2022 and observation calendar year 2023. For reporting calendar years after 2024, companies who are required to submit data for this statistical plan for mortality will be required to submit one observation calendar year of data.~~

Given an observation calendar year of 20XX, the calendar year method requires reporting of experience data as follows:

- i. Report policies in force during or issued during calendar year 20XX.
- ii. Report terminations that were incurred in calendar year 20XX and reported before April 1, 20XX+1. Companies may report terminations reported after April 1, 20XX+1 if they choose to do so. However, exclude rescinded policies (e.g., 10-day free look exercises) from the data submission.

For any reporting calendar year, the data call will occur during the second quarter, and data is to be submitted according to the requirements of the *Valuation Manual* in effect during that calendar year. Data submissions must be made by Sept. 30 of the reporting calendar year. Corrections of data submissions must be completed by Feb. 28 of the year following the reporting calendar year. The NAIC may extend either of these deadlines if it is deemed necessary.

E. Experience Data Elements and Formats Required by This Statistical Plan

Companies subject to reporting pursuant to the criteria stated in Section 2.C are required to complete the data forms in Appendix 1, Appendix 2 and Appendix 3 as appropriate, and also complete the Experience Data Elements and Formats as defined in Appendix 4.

The data should include policies issued as standard, substandard (optional) or sold within a preferred class structure. Preferred class structure means that, depending on the underwriting results, a policy could be issued in classes ranging from a best preferred class to a residual standard class. Policies issued as part of a preferred class structure are not to be classified as substandard.

Policies issued as conversions from term or group contracts should be included. For these converted policies, the issue date should be the issue date of the converted policy, and the underwriting field will identify them as issues resulting from conversion.

Generally, each policy number represents a policy issued as a result of ordinary underwriting. If a single life policy, the base policy on a single life has the policy number and a segment number of 1. On a joint life policy, each life has separate records with the same policy number. The base policy on the first life has a segment number of 1, and the base policy on the second life has a segment number of 2. Policies that cover more than two lives are not to be submitted.

Term/paid up riders or additional amounts of insurance purchased through dividend options on a policy issued as a result of ordinary underwriting are to be submitted. Each rider is on a separate record with the same policy number as the base policy and has a unique segment number. The details on the rider record may differ from the corresponding details on the base policy record. If underwriting in addition to the base policy underwriting is done, the coverage is given its own policy number.

Terminations (both death and non-death) are to be submitted. Terminations are to include those that occurred in the observation year and were reported by March 31 of the year after the observation year.

Plans of insurance should be carefully matched with the three-digit codes in item 20, Plan. These plans of insurance are important because they will be used not only for mortality experience data collection, but also for policyholder behavior experience data collection. It is expected that most policies will be matched to three-digit codes that specify a particular policy type rather than select a code that indicates a general plan type.

Each company is to submit data for in-force and terminated life insurance policies that are within the scope defined in Section 2.B except:

- i. For policies issued before Jan. 1, 1990, companies may certify that submitting data presents a hardship due to fields not readily available in their systems/databases or legacy computer systems that continue to be used for older issued policies and differ from computer systems for newer issued policies.
- ii. For policies issued on or after Jan. 1, 1990, companies must:
  - a) Document the percentage that the face amount of policies excluded are relative to the face amount of submitted policies issued on or after Jan. 1, 1990; and

- b) Certify that this requirement presents a hardship due to fields not readily available in their systems/databases or legacy computer systems that continue to be used for older issued policies and differ from computer systems for newer issued policies.

F. Experience Data Reports Required by This Statistical Plan

1. Using the data collected under this statistical plan, the Experience Reporting Agent will produce an experience data report that aggregates the experience data of all companies whose data have passed all of the validity and reasonableness checks outlined in Section 4 of VM-50 and has been determined by the Experience Reporting Agent to be acceptable to be used in the development of industry mortality experience.
2. The Experience Reporting Agent will provide to the SOA or other actuarial professional organizations an experience data report of aggregated experience that does not disclose a company's identity, which will be used to develop industry mortality experience and valuation mortality tables.
3. As long as a company is licensed in a state, that state insurance regulator will be given access to a company's experience data that is stored on a confidential database at the Experience Reporting Agent. Access by the state insurance regulator will be controlled by security credentials issued to the state insurance regulator by the Experience Reporting Agent.

**Section 3: Statistical Plan for Group Annuity Mortality**

A. Type of Experience Collected Under This Statistical Plan

The type of experience to be collected under this statistical plan is mortality experience.

B. Scope of Business Collected Under This Statistical Plan

1. The data for this statistical plan includes direct written group annuity business issued by a company in the U.S. for lives in any country as well as reinsurance assumed written by a company in the U.S. for business written by non-US companies. ~~outside the U.S.~~ Product types include:
  - a. Group Pension Risk Transfer (PRT, as defined in VM-01) annuities originating from ongoing and terminated private and public defined benefit pension plans, including both participating and nonparticipating contracts where the insurance company bears mortality risk.
  - b. Purchased group annuities with mortality risk originating from defined contribution plans.
  - c. Immediate Participation Guarantee contracts for which the insurance company bears the mortality risk.
  - d. Longevity Reinsurance, as defined in VM-01.
  - e. Group Variable Payout Annuities, defined as group annuities that include a provision for benefit payments which vary in accordance with the rate of return of the underlying investment portfolio.
2. The intent is to align the scope of business collected under this statistical plan with the scope of VM-22. Therefore, the following types of business defined in VM-01 are excluded from data collection:
  - a. Guaranteed Investment Contracts
  - b. Synthetic Guaranteed Investment Contracts

Commented [AM4]: Changed wording for 3<sup>rd</sup> exposure (02/2026)

- c. Funding Agreements
- d. Stable Value contracts
- e. Pre-Need Annuities

3. All values should be prior to any reinsurance ceded except for the situation defined in VM-51 Section 3.B.4. Assumption reinsurance of a line of business, where the assuming company is legally responsible for all benefits and claims paid, shall be included within the scope of this statistical plan.
4. In the event a reinsurer or TPA is responsible for administering a block of business, the reinsurer or TPA may submit that block of business on behalf of the direct writer. In this case, the reinsurer or TPA must be identified in Appendix 5 Item 1 - Submitting Company ID, and the direct writer must be identified in Appendix 5 Item 2 - NAIC Company Code of Direct Writer.
  - a. As defined in VM-50 Section 4.B.4, the reconciliation to company statistical and financial data for both the direct writing company and all reinsurers and/or TPAs must include lines indicating the amount of business that is being reported by the reinsurers and/or TPAs. The Experience Reporting Agent will compare the reconciliations for all business submitted by the direct writer and any reinsurers and/or TPAs to ensure that all business is included and that there is no double counting of records.
  - b. If an insurance company is required to submit its direct written business and it also has reinsurance assumed business, it should only submit the assumed business if asked to do so by the ceding company since some ceding companies may not have been selected for data submission.
5. The direct writing company is ultimately responsible for all the data submitted for its company.

#### C. Criteria to Determine Companies That Are Required to Submit Experience Data

The Experience Reporting Agent, under the direction of the Life Actuarial (A) Task Force, will select companies that are required to submit experience data. The selection of companies will be based on achieving a minimum target level of approximately 90% of industry statutory reserves in scope. Companies selected to submit mortality experience data are expected to continue reporting their experience in future years, barring circumstances justifying an exemption. The list of companies selected is subject to change. Additional companies may be selected to maintain the target level of industry experience, or at the discretion of the Life Actuarial (A) Task Force. Any additional companies selected will be given sufficient notice to prepare for the data submission.

Companies with less than \$250 million of statutory reserves for in-scope group annuity business shall be exempted from reporting experience data required under this statistical plan. This threshold for exemption shall be reviewed annually and be subject to change by the Experience Reporting Agent.

Exemptions may be granted by the Experience Reporting Agent where appropriate, following consultation with the domestic insurance regulator.

#### D. Process for Submitting Experience Data Under This Statistical Plan

Commented [AM5]: Added this paragraph for 3<sup>rd</sup> exposure (02/2026).

Data for this statistical plan shall be submitted on an annual basis. Each company required to submit this data shall submit the data using the Regulatory Data Collection (RDC) online software submission application developed by the Experience Reporting Agent. For each data file submitted by a company, the Experience Reporting Agent will perform reasonability and completeness checks of the data, as defined in Section 4 of VM-50. The Experience Reporting Agent will notify the company within 30 days following the data submission of any possible errors that need to be corrected. The Experience Reporting Agent will compile and send a report listing potential errors that need correction to the company.

Data for this statistical plan for mortality will be compiled using a calendar year method. The reporting calendar year is the calendar year that the company submits the experience data. The observation calendar year is the calendar year of the experience data that is reported. The observation calendar year will be one year prior to the reporting calendar year. For example, if the current calendar year is 2027 and that is the reporting calendar year, the company is to report the experience data that was in-force or issued in calendar year 2026, which is the observation calendar year.

Given an observation calendar year of 20XX, the calendar year method requires reporting of experience data as follows:

- i. Report records in force during or issued during calendar year 20XX.
- ii. Report terminations that were incurred in calendar year 20XX and reported before April 1, 20XX+1. Companies may report terminations reported after April 1, 20XX+1 if they choose to do so.

For any reporting calendar year, the data call will occur during the second quarter, and data is to be submitted according to the requirements of the *Valuation Manual* in effect during that calendar year. Data submissions must be made by Sept. 30 of the reporting calendar year. Corrections of data submissions must be completed by Feb. 28 of the year following the reporting calendar year. The NAIC may extend either of these deadlines if it is deemed necessary.

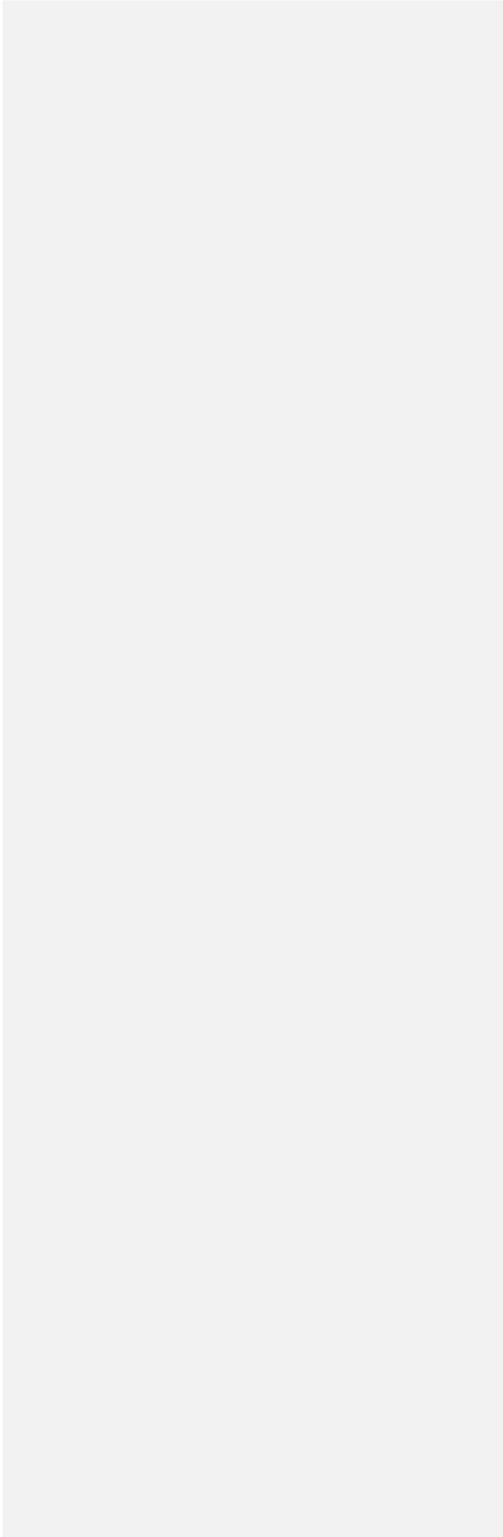
#### E. Experience Data Elements and Formats Required by This Statistical Plan

Companies subject to reporting pursuant to Section 3.C are required to complete the Experience Data Elements and Formats as defined in Appendix 5.

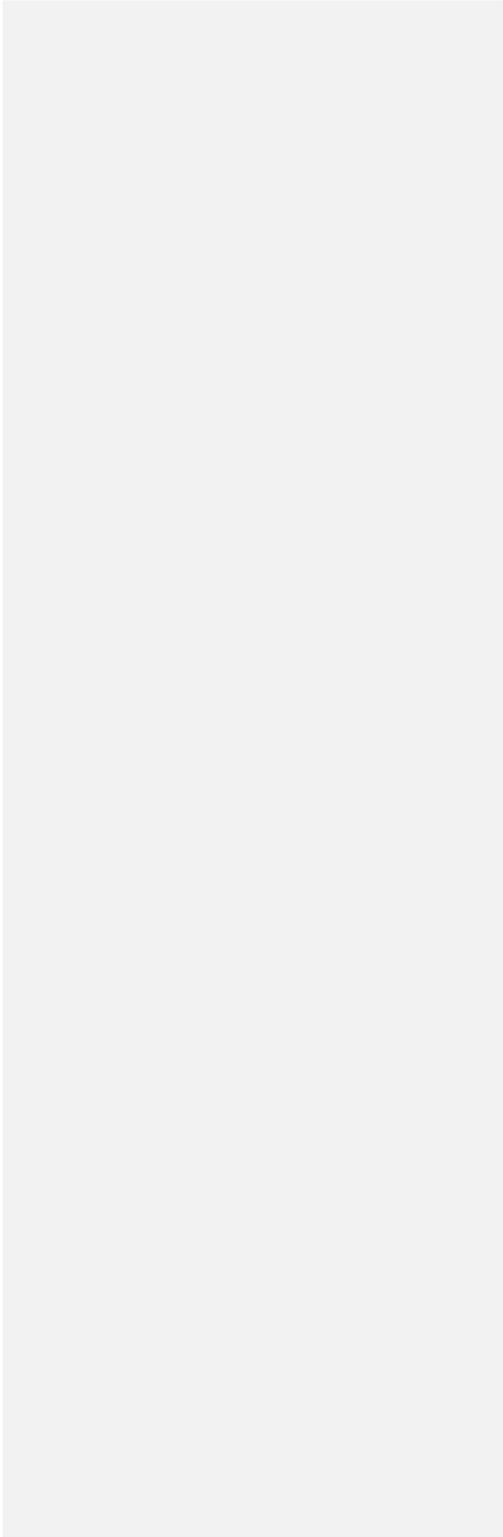
#### F. Experience Data Reports Required by This Statistical Plan

1. Using the data collected under this statistical plan, the Experience Reporting Agent will produce an experience data report that aggregates the experience data of all companies whose data have passed all the validity and reasonableness checks outlined in Section 4 of VM-50 and has been determined by the Experience Reporting Agent to be acceptable to be used in the development of industry mortality experience.
2. The Experience Reporting Agent will provide to the SOA or other actuarial professional organizations an experience data report of aggregated experience that does not disclose a company's identity, which will be used to develop industry mortality experience and valuation mortality tables.

3. As long as a company is licensed in a state, that state insurance regulator will be given access to a company's experience data that is stored on a confidential database at the Experience Reporting Agent. Access by the state insurance regulator will be controlled by security credentials issued to the state insurance regulator by the Experience Reporting Agent.



**Appendix 1: Life Insurance Preferred Class Structure Questionnaire**



**Appendix 2: Life Insurance Mortality Claims Questionnaire**

**MORTALITY CLAIMS QUESTIONNAIRE**

*The purpose of this mortality claims questionnaire is for a company to respond to the questions whether or not it is submitting death claim data as specified. If the company is not submitting death claim data as specified, provide the additional detail requested.*

**Fill out this questionnaire for your individual life business and submit in addition to policy-level information.**

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Company	NAIC Company Code
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Name	Date
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**MORTALITY CLAIMS**

1. If the data is provided using a reporting run-out that is other than ~~six~~ **three** months, what run-out period was used? mm/dd/yyyy
  
2. The death claim amounts are to be for the total face amount and on a gross basis (before reinsurance). The data is based on:
  - a. Total face amount (for policies that include the cash value in addition to the face amount as a death benefit, use only the face amount) as specified OR  
 Other (describe):  
 If not as specified, indicate time period for which this occurred \_\_\_\_\_ - \_\_\_\_\_
  - b. Gross basis (before reinsurance) as specified OR Other  
 (describe):  
 If not as specified, indicate time period for which this occurred: \_\_\_\_\_ - \_\_\_\_\_  
 Is this the same basis used for face amounts included in the study data? Yes No
  
3. The date that the termination is reported is to be used for the termination reported date. The date that the termination actually occurred is to be used for the actual termination date. What dates are used for death claims in the study data with respect to?
  - a) Termination reported date  
 If not reported date, indicate Reported date Other (describe):  
 basis for dates provided
  - b) Actual termination date for death Date of death Other (describe):  
 claims:  
 If not date of death, indicate  
 basis for dates provided

4. Death claims pending at the end of the observation period but paid during the subsequent six months following the observation year are to be included in the data submission. Claims that are still pending at the end of the six-month run out are -to be included.

Are such pending claims included in the study data?      Yes      No

If no indicate time period for which this occurred: \_\_\_\_\_

5. The face amounts and death claim amounts are to be included without capping by amount. Are the face amounts and death claims/exposures included without capping by amount?

Yes      No

If No, describe how face amounts and death claims are capped and at what amount the capping is being done.

6. For death claims on policies issued before 1990:

Are death claims matched up to a corresponding in-force policy?      Yes      No

If no, indicate approach used:

7. Please briefly describe any other unique aspects of the death claims data that are not covered above.

**Appendix 3: Life Insurance Additional Plan Code Form**

**Appendix 4: Life Insurance Mortality Data Elements and Format**

The table below provides descriptions of the required data fields. Further details and coding examples are provided in a data dictionary located on the NAIC’s website. The data dictionary is a living document and will be updated periodically as needed.

ITEM	LENGTH	DATA ELEMENT	DESCRIPTION
20	3	Plan	<b>Coverage purchased under a Guaranteed Insurability Option:</b> 110 = Exercised Guaranteed Insurability Option

**Appendix 5: Group Annuity Mortality Data Elements and Format**

The table below provides descriptions of the required data fields. Further details and coding examples are provided in a data dictionary located on the NAIC’s website. The data dictionary is a living document and will be updated periodically as needed.

It is expected that companies may not have all the requested data elements, so certain data elements may be left blank or approximated, as noted in the Description column. If key fields necessary to perform an experience study are left blank (e.g. date of termination, date of death) or are inconsistent, the Experience Reporting Agent may make approximations as described in the data dictionary.

**Commented [AM6]:** Added this paragraph for 3<sup>rd</sup> exposure (02/2026)

ITEM	MAXIMUM LENGTH	DATA ELEMENT	DESCRIPTION
1	9	Submitting Company ID	ID number representing the company submitting this file. If the company has an NAIC Company Code, then that code must be used. If the company does not have an NAIC Company Code, the company’s Federal Employer Identification Number (FEIN) must be used. If the direct writer is the company submitting the data, Items 1 and 2 must contain the same value.
2	5	NAIC Company Code of the Direct Writer of Business	The NAIC Company Code of the company that wrote the business being reported. In the case of assumption reinsurance where the assuming company is legally responsible for all benefits and claims paid, the assuming company is considered to be the direct writer. If the direct writer is the company submitting the data file, Items 1 and 2 must contain the same value.
3	4	Observation Year	Enter Calendar Year of Observation
4	20	Contract Number	Enter the Group Annuity Contract number. This must be carried through consistently for all observation years.
5	8	Contract Issue Date	Enter the numeric Group Annuity Contract issue date in YYYYMMDD format.
6	1	Plan Type	1 = PRT originating from Private Defined Benefit Plans 2 = PRT originating from Public Defined Benefit Plans 3 = Purchased Annuities with Mortality Risk Originating from Defined Contribution Plans 4 = Longevity Reinsurance 5 = Immediate Participation Guarantee contracts for which the insurance company bears the mortality risk 6 = Group Variable Payout Annuities

ITEM	MAXIMUM LENGTH	DATA ELEMENT	DESCRIPTION
			7 = Other Group Annuities with Mortality Risk  Note that COLAs do not qualify as variable payout annuities.
7	1	Country Code	1 = United States 2 = Canada 3 = United Kingdom 4 = Other
8	20	Certificate Number	Enter a unique identifying number for the annuitant. This must be carried through consistently for all observation years.  Certificate numbers must be encrypted. Actual certificate numbers cannot be used.
9	8	Certificate Issue Date	Enter the numeric Certificate issue date in YYYYMMDD format.
10	2	Issue Age	Enter the annuitant's issue age.
11	1	Beneficiary Indicator	1 = Primary 2 = Beneficiary 3 = Contingent (not yet in pay status) 4 = Unknown
12	1	Gender	1 = Male 2 = Female 3 = Unisex – Unknown Gender 4 = Unisex – Male 5 = Unisex – Female 6 = Unknown
13	8	Date of Birth	Enter the numeric date of birth in YYYYMMDD format.
14	8	Date of Entry	Enter the numeric date of entry in YYYYMMDD format. See the data dictionary for details.
15	1	Status Code when the Group Annuity Contract Was Purchased	1 = Retired (in payout status) 2 = Deferred (either terminated or active)
16	1	Status Code as of the Observation Year	1 = Retired (in payout status) 2 = Deferred (either terminated or active)
17	8	Date of Termination	Enter the numeric date of termination in YYYYMMDD format.  Leave this field blank if there was no termination.
18	1	Mode of Termination	1 = Death 2 = Retirement 3 = Other 4 = No Termination

ITEM	MAXIMUM LENGTH	DATA ELEMENT	DESCRIPTION
19	12	Amount of Annual Income	Provide the annual income amount to the nearest dollar as of the end of the observation year. Convert to US dollars if benefits are in any other currency.
20	1	Joint and Survivor	1 = 0% (Single Life) 2 = >0% - <=50% 3 = >50% - <=67% 4 = >67% - <=75% 5 = >75% - <=100% 6 = Joint percent unknown 7 = Joint indicator unknown
21	1	Benefit Class	1 = Life only 2 = Life only, plus Temporary life annuity 3 = Life with period certain 4 = Life with period certain, plus Temporary life annuity 5 = Cash refund 6 = Cash refund, plus Temporary life annuity 7 = Unknown or Not Applicable
22	2	Certain Period	Enter the Certain Period in years if Benefit Class = 3 or 4. For all other Benefit Classes, leave this field blank.
23	1	Job Classification	1 = Hourly 2 = Salaried 3 = Not Applicable 4 = Unknown
24	1	Union Classification	1 = Union 2 = Nonunion 3 = Not Applicable 4 = Unknown
25	6	NAICS Code	Enter the applicable North American Industry Classification System (NAICS) Code.  Leave blank if unknown or not applicable.
26	4	SIC Code	Enter the applicable Standard Industrial Classification (SIC) Code.  Leave blank if unknown or not applicable.
27	1	Separate Account/General Account	1=Separate Account, where assets are legally insulated from General Account claims 2=General Account
28	2	PRT Options	Was the participant exposed to any of the following immediately prior to, coincident with, or after the purchase of the annuity contract? Please consider offers that may have been made by either the insurer or by the pension plan that purchased the contract (to

ITEM	MAXIMUM LENGTH	DATA ELEMENT	DESCRIPTION
			<p>the extent such plan actions are known by the insurer and were considered when underwriting the contract).</p> <p>11 = A one-time voluntary full lump sum window  12 = A one-time voluntary partial lump sum window  13 = A one-time involuntary full lump sum window  14 = A one-time benefit enhancement  15 = A one-time option to convert the form of benefit to another form of benefit  16 = A one-time option to add or remove spousal benefits  17 = Any other one-time actions that the carrier considered potentially anti-selective to mortality when underwriting the contract  18 = More than one of the above codes apply  19 = Not applicable (use for non-PRT business)  20 = Unknown</p>
29	1	Availability of Full and/or Partial Lump Sums at Retirement	<p>1=No lump sums are available  2=Full and partial lump sums are available  3=Only full lump sums are available  4=Only partial lump sums are available  5=Full lump sums are available; Unknown whether partial lump sums are available  6=Unknown whether full lump sums are available; partial lump sums are available  7=Unknown whether full or partial lump sums are available  8 = Not applicable (use for non-PRT business)</p>
30	1	Cost of Living Increases	<p>Is there a cost of living or inflation increase feature?  1 = Yes  2 = No  3 = Not Applicable (use for non-PRT business)  4 = Unknown</p>
31	1	Other Income Increases	<p>Is there a feature (other than a cost-of-living increase) that causes the benefit not to be level (e.g. Social Security integration, or level benefit option that would cause the benefit amount to change)?  1 = Yes  2 = No  3 = Not Applicable (use for non-PRT business)</p>

ITEM	MAXIMUM LENGTH	DATA ELEMENT	DESCRIPTION
			4 = Unknown
32	1	Collar Type	1 = White Collar 2 = Blue Collar 3 = Unknown Collar Type 4 = Not Applicable (use for non-PRT business)  Enter the collar type as determined by the company. See the data dictionary for coding details.
33	2	State of Residence	Use standard, two-letter state abbreviation codes (e.g. FL for Florida) for the state of the annuitant's domicile.
34	5	U.S. Zip Code	For business issued in the U.S., provide the annuitant's 5-digit zip code. For non-U.S. business, leave this blank.
35	6	Canadian Postal Code	For business issued in Canada, provide the annuitant's 6-digit postal code. For non-Canadian business, leave this blank.
36	2	UK Postcode Area	For business issued in the UK, enter the 2-digit postcode area. For non-UK business, leave this blank. If Unknown, leave this blank.

**Commented [AM7]:** Added new field for Canadian Postal Code for 4<sup>th</sup> exposure (03/2026).



Brian Bayerle  
Chief Life Actuary  
202-624-2169

Colin Masterson  
Sr. Policy Analyst  
202-624-2463

March 9, 2026

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

Re: Third Exposure of APF 2024-12 (Group Annuity Mortality Experience Data Collection)

Dear Chair Hemphill:

The American Council of Life Insurers (ACLI) appreciates the opportunity to comment on the third exposure of Amendment Proposal Form 2024-12 which aims to establish a Statistical Plan for Group Annuity Mortality and designates the NAIC as the Experience Reporting Agent. We would also like to take the time to once again express our gratitude to all parties on the NAIC Group Annuity APF Drafting Group, of which we were also a part, for their work on revising the APF after the initial exposure and comment period.

ACLI supports this proposal but does have one additional point we would like regulators to consider prior to LATF adoption. Given that the intent is "to align the scope of business collected under this statistical plan with the scope of VM-22", companies already meeting the exemption requirements under VM-22 should also be exempt from the kind of experience data collection laid out in this APF.

Thank you once again for the chance to provide this comment and we look forward to additional discussion on this matter soon.

Sincerely,



Colin Masterson

cc: Scott O'Neal, NAIC

## Agenda Item 5

Consider Adoption of the Generator of Economic  
Scenarios (GOES) (E/A) Subgroup Report



# GOES (E/A) Subgroup Report

## Agenda

1. Background and Current Status
2. Documentation Enhancements
3. Statistical Report Enhancements
4. Incident Documentation and Remediation
5. GEMS® Software Version Update

# Background and Current Status

## Principle-Based Reserves - GOES Effective beginning 1/1/2026

- APF 2025-04 was adopted at the Joint Meeting of the Executive (EX) Committee and Plenary on August 13<sup>th</sup>.
- Companies are optionally allowed to elect a three-year phase-in of the reserve impact from GOES implementation.

## Risk-Based Capital (RBC) - Plan is for GOES to be Effective YE 26

- Revisions to the RBC Instructions for C3 Phase I and C3 Phase II to effectuate GOES were exposed for public comment until March 10<sup>th</sup>.
- The revisions to the RBC instructions will be considered for adoption at the Life RBC (E) Working Group's session at the NAIC Spring National Meeting.

# Documentation Enhancements

## New Documentation:

- [NAIC GOES Technical Documentation - Interest Rate Calibration Targets](#)
- [NAIC GOES Technical Documentation - Stochastic Exclusion Ratio Test Scenarios](#)
- [NAIC GOES Technical Documentation - Basic Data Set Layout](#)

## Updated Documentation:

- [NAIC GOES Technical Documentation - Interest Rate Model](#)
- [NAIC GOES Technical Documentation - Scenario Selection Tool](#)

## Upcoming Documentation: **Target Release Early April**

- Basic Data Set Validation Report
- Revised Q&A
- GOES Parameters

Once each component of the GOES Documentation is complete, work will begin to compile into a single document.

# Incident Documentation and Remediation

Model findings are tracked in the [GOES Model Findings Inventory](#). Each model finding also gets an Incident Documentation and Remediation report that provides a description, root cause, resolution, illustration of impact, and any actions taken to prevent from occurring in the future.

## Incident Documentation and Remediation Reports:

- 26001: Nov. 2025 SERT Scenario Corporate Bond Fund Price and Income Return Error
  - Resolution: Provided a corrected 11/25 SERT file and added month-over-month comparison to SERT review
- 26002: Basic\_Data\_Set\_Additional\_Statistics\_20YYMMDD EAFE total return statistics calculation error
  - Resolution: Fixed code to generate statistics and re-released statistical reports

# Statistical Report Enhancements

## Basic Data Set Validation Report Enhancement:

Two new charts have been added to the Validation Report:

### Average UST Yield Curve Progression

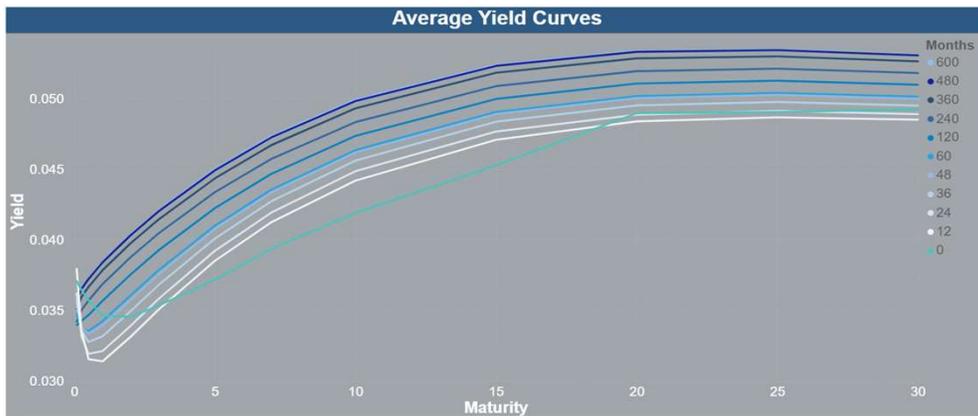
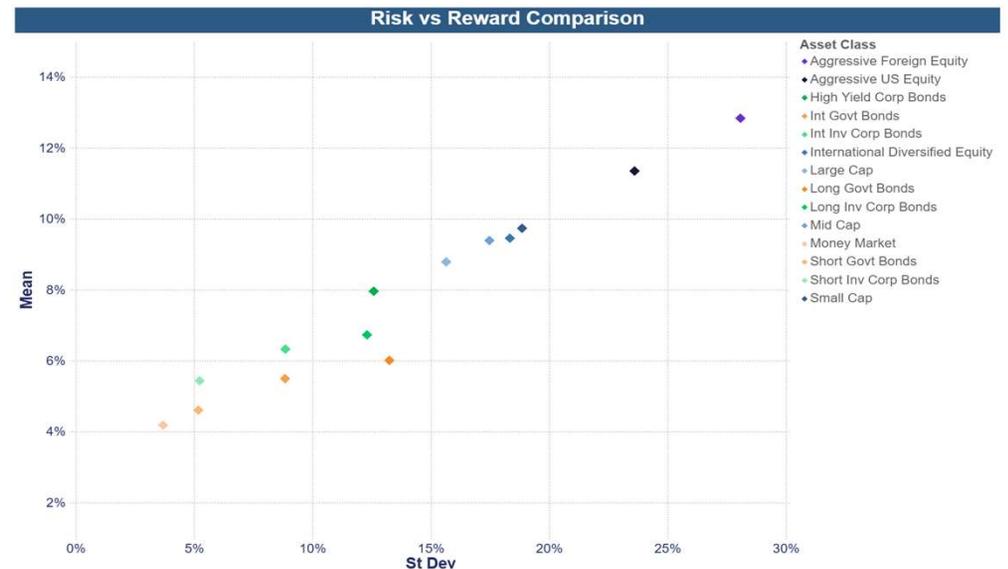


Table of Average Yields

Maturity	Month 0	Month 12	Month 24	Month 36	Month 48	Month 60	Month 120	Month 240	Month 360	Month 480	Month 600
0.08	0.0371	0.0379	0.0362	0.0357	0.0353	0.0347	0.0340	0.0342	0.0351	0.0357	0.0356
1.00	0.0346	0.0314	0.0321	0.0332	0.0339	0.0342	0.0357	0.0369	0.0378	0.0384	0.0384
5.00	0.0372	0.0385	0.0392	0.0401	0.0408	0.0410	0.0423	0.0434	0.0444	0.0449	0.0450
10.00	0.0419	0.0442	0.0449	0.0456	0.0462	0.0464	0.0474	0.0483	0.0493	0.0498	0.0499
20.00	0.0490	0.0484	0.0489	0.0495	0.0500	0.0502	0.0511	0.0519	0.0528	0.0533	0.0534
30.00	0.0492	0.0485	0.0489	0.0495	0.0500	0.0501	0.0510	0.0518	0.0526	0.0531	0.0531

### Risk vs Reward Chart



# GEMS<sup>®</sup> Software Version Update

## Software Version Update:

- Conning routinely makes updates to its GEMS<sup>®</sup> software for enhancements and bug fixes.
- All clients have the option of running previous versions of the software.
- The GOES Model Governance Framework envisions the NAIC moving to the latest version of the software coinciding with the Annual Model Review and Update.

## Software Version Update Validation (VI.B):

- Conning and NAIC Staff will perform testing of the GOES using the latest version of the software to determine whether there were any impacts to the scenarios.
- Results of the software version testing along with a recommendation on acceptance of a new version of the software will be posted to the NAIC/Conning Scenario website and provided to the leadership of the GOES (E/A) Subgroup.
- If there are any changes to the scenarios as the result of the software update, a meeting of the GOES (E/A) Subgroup would be held to discuss and determine a course of action.

# GEMS® Software Version Update (cont.)

## Streamlined SERT Scenario Generation Process

- Conning made an update to its GEMS® software to produce the 10,000 stochastic scenarios and the stochastic exclusion ratio rest (SERT) scenarios in a single model run.
- Conning and NAIC Staff recommend moving to a new software version help streamline the monthly scenario generation process from

## Software Version Testing

- Testing by Conning has shown that there are no changes to stochastic or SERT scenario results.
- Demonstrations will be posted that there are no changes to the scenarios to <https://naic.conning.com/documentation> (10k subset comparison, SERT comparison, statistic file).
- 30 days will be provided for interested parties to comment. Afterwards, if the Chair of the GOES (E/A) Subgroup is satisfied, the monthly scenario process will move to the new software version.

Agenda Item 6  
Consider Adoption of APF 2025-16  
(Reinvestment Guardrail)

**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, TDI, Update reinvestment guardrail for VM-20, VM-21, and VM-22.
  
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:  
  
VM-20 Section 7.E.1.g, VM-21 Section 4. D.4.b, VM-22 Section 4.D.3.b  
  
Valuation Manual, January 1, 2026 Edition
  
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.)

**VM-20 Section 7.E.1.g**

g. Notwithstanding the above requirements, the modeled reserve shall be the higher of that produced by the modeled company investment strategy and that produced by substituting an alternative investment strategy in which the fixed income reinvestment assets have the same weighted average life (WAL) as the reinvestment assets in the modeled company investment strategy and are all public non-callable corporate bonds with gross asset spreads, asset default costs and investment expenses by projection year that are consistent with a credit quality blend of at least:

- i. ~~5% Treasury~~
- ii. ~~15% PBR credit rating 3 (Aa2/AA)~~
- iii. ~~40% PBR credit rating 6 (A2/A)~~
- iv. ~~40% PBR credit rating 9 (Baa2/BBB)~~

**Deleted:** a minimum credit quality blend of 50% PBR credit rating 6 (A2/A) and 50% PBR credit rating 3 (Aa2/AA).

**VM-21 Section 4.D.4.b**

b. Notwithstanding the above requirements, the SR shall be the higher of that produced by the modeled company investment strategy and that produced by substituting an alternative investment strategy in which the fixed income reinvestment assets have the same weighted average life (WAL) as the reinvestment assets in the modeled company investment strategy and are all public non-callable corporate bonds with gross asset spreads, asset default costs, and investment expenses by projection year that are consistent with a credit quality blend of at least:

- i. ~~5% Treasury~~
- ii. ~~15% PBR credit rating 3 (Aa2/AA)~~
- iii. ~~40% PBR credit rating 6 (A2/A)~~
- iv. ~~40% PBR credit rating 9 (Baa2/BBB)~~

**Deleted:** a minimum credit quality blend of 50% PBR credit rating 6 (A2/A) and 50% PBR credit rating 3 (Aa2/AA). ¶

**VM-22 Section 4.D.3.b**

Notwithstanding the above requirements, the aggregate reserve shall be the higher of that produced by the modeled company investment strategy and that produced by substituting an alternative investment strategy in which the fixed income reinvestment assets have the same weighted average life (WAL) as the reinvestment assets in the modeled company investment strategy and are all public non-callable corporate bonds with gross asset spreads, asset default costs, and investment expenses by projection year that are consistent with a credit quality blend of at least:

- i. ~~5% Treasury~~
- ii. ~~15% PBR credit rating 3 (Aa2/AA)~~
- iii. ~~40% PBR credit rating 6 (A2/A)~~

**Deleted:** 80

iv. 40% PBR credit rating 9 (Baa2/BBB)

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

After adoption of a guardrail for VM-22 that was intended to be a compromise between the existing VM-20 and VM-21 guardrails and the Academy proposed guardrail of 5% Treasury, 15% PBR credit rating 3 (AA), 40% PBR credit rating 6 (A), and 40% PBR credit rating 9 (BBB), LATF planned to consider updating the guardrails for VM-20 and VM-21 to be consistent with the VM-22 guardrail. LATF members noted that they would not want to consider such a change without first reviewing impact testing. ACLI agreed to provide this impact testing. Since then, additional review has made clear that the compromise guardrail will not always give the intended compromise effect. As a result, I propose that LATF instead consider adopting the Academy guardrail for all of VM-20, VM-21, and VM-22. To address prior regulator concerns, I recommend that LATF not consider adoption of this proposal without reviewing impact testing of the updated proposal provided by ACLI. So, I am requesting the ACLI update the agreed-upon testing to now reflect the Academy guardrail for VM-20, VM-21, and VM-22. The initial exposure should be set to allow sufficient time for this testing to be completed.

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\* This form is not intended for minor corrections, such as formatting, grammar, cross-references or spelling. Those types of changes do not require action by the entire group and may be submitted via letter or email to the NAIC staff support person for the NAIC group where the document originated.

NAIC Staff Comments:

Dates: Received	Reviewed by Staff	Distributed	Considered
11/13/25	JR		
<b>Notes:2025-16</b>			



January 23, 2026

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

Re: Exposure regarding [VM-22 Pension Risk Transfer Investment Guardrails](#)

Dear Chair Hemphill,

On behalf of the Annuity Reserves and Capital Subcommittee (ARCS) of the American Academy of Actuaries,<sup>1</sup> I appreciate the opportunity to comment on the recent exposure requesting discussion on the VM-22 investment guardrails for pension risk transfer (PRT). I am pleased to provide the following comments.

### **Investment Guardrails and Consistency of Application**

The ARCS noted that the PRT exposure would effectively introduce different reinvestment guardrails for different types of business. To the extent different guardrails are applied to specific blocks of business for any purpose (disclosure or as a binding floor on reserves), we support an approach where blocks with similar risk characteristics should receive consistent reserving treatment, including with respect to the application of guardrails. As outlined below, achieving such consistency may require the expansion of the eligibility of the current proposal to certain non-PRT blocks, and conversely, the exclusion of some PRT blocks from eligibility.

ARCS also noted that applying any liability-specific guardrail contrasts in some ways with the exposure draft of APF 2025-16, which seeks to harmonize the benchmark portfolio credit quality used in reinvestment guardrails across Valuation Manual (VM) chapters. As more fully detailed below, the ARCS suggests that if LATF decides to apply different guardrails across VM chapters and/or products, it should also consider harmonizing the treatment of blocks with similar risk characteristics.

### **Scope of Proposal**

We note that the current proposal would apply to all PRT business, regardless of the specific investment and risk management strategies employed by the issuing company. However, the ARCS noted in our discussions that evaluating the appropriateness of many of the elements of the proposal requires an integrated analysis of the liabilities, the supporting in force assets held on each valuation date, and the company's investment and asset/liability management (ALM) strategies.

The ARCS also noted that, while there are some unique features specific to the PRT market outlined in the proposal (e.g., regulatory review of the investment guidelines in separate account plans of operations, the

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<sup>1</sup> 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.

Department of Labor fiduciary standards for Plan Sponsors in choosing an insurer), there are other types of stable liabilities (e.g., some payout annuity blocks, some structured settlement blocks), with very similar liability profiles as PRT blocks (e.g., limited to no optionality on liability cash flows, sensitivity only to mortality, most cashflows falling within an investible horizon), for which similar or identical considerations apply.

Based on these two observations, the ARCS believes it may be appropriate for the proposal to be expanded to include other blocks meeting specified principles-based liability and supporting asset/reinvestment criteria as opposed to being available only to PRT blocks. Conversely, we note that it may not be appropriate for all elements of the proposal to be applied to all PRT blocks if the supporting asset, reinvestment, or ALM strategies don't conform with these principles.

### **Should there be an allowance for illiquidity premia in the reinvestment guardrail?**

Applying a fixed illiquidity spread for all PRT business may or may not be appropriate due to material differences in risks driven by each company's asset portfolio and hedging strategy. For some companies, modeling zero illiquidity spread could be appropriate. For example, consider two companies issuing identical PRT liabilities that pursue materially different investment strategies which expose them to different risk factors:

Company A pursues an investment strategy that utilizes only noncallable fixed rate public and noncallable private corporate bonds with fixed future cashflows and an ALM strategy focused on minimizing the degree of cashflow mismatch between in force cash asset and liability cashflows at multiple tenors. As a result, Company A has a well-matched portfolio with an asset duration nearly equal to its liability duration at all projected points in time. As a result, Company A may be exposed to material credit risk from the specific names in its portfolio, but may be less exposed to liquidity risk, reinvestment risk, and interest rate risk. Hence, it may be appropriate to allow recognition of illiquidity premia in Company A's statutory reserves, subject to an appropriate margin consistent with the reserve objective level.

Company B invests in noncallable fixed rate public bonds and floating rate structured securities whose underlying collateral is sourced privately and has material embedded interest rate risk (e.g., prepayment risk, extension risk). As a result of its use of floating rate assets, Company B's asset portfolio interest rate duration is materially shorter than its liabilities. Company B uses a SOFR swap and Treasury futures-based derivative hedging program to manage its residual interest rate risk. Under a moderately adverse interest rate shock, Company B may be required to adjust its investment allocations (e.g., due to cash or Treasury collateral posting requirements on its swaps, due to cash settlement requirements on its futures) that would require it to liquidate its structured securities prior to maturity, potentially at a time when market values of those securities may be depressed. It may be less appropriate to permit recognition of anticipated illiquidity premia in statutory reserves for Company B.

As demonstrated in these examples, the extent to which anticipated illiquidity premia may be realized in practice is dependent on the interaction among the liabilities, supporting assets, and company ALM and reinvestment strategies. If LATF decides to allow for a separate guardrail that includes an illiquidity premium, the ARCS believes that only the portion of the illiquidity premium that is expected to continue into the future and that could be realized under a range of moderately adverse stresses should be reflected in the statutory reserve calculation. The methods and analysis used to support the company's determination of the assumption and the necessary margin should then be disclosed in the VM-31 report.

**Should company-specific assumptions be permitted for spread and/or default assumptions?**

VM-22 currently allows for the use of company-specific spread assumptions on all assets outside of public noncallable corporate bonds and interest rate swaps, provided that the assumptions are disclosed and documented in the VM-31 report. Thus, ARCS interpreted the question in the proposal as being tied to whether an illiquidity premium should be added to the alternative investment strategy. The ARCS believes the points addressed immediately above are equally applicable, and companies should only include the portion of the spread that can be demonstrated to be achievable under a range of moderately adverse scenarios under the company's actual investment and ALM strategies.

With respect to whether a company should be permitted to reflect company-specific defaults, it may be appropriate for some companies to reflect default loss factors that differ (positively or negatively) from those currently prescribed for PBR purposes, again subject to an appropriate level of margin consistent with the reserve objective level. As discussed above, evaluating the appropriateness requires consideration of the company specifics.

Even if a company has historical data that clearly supports the use of default loss factors that differ from the prescribed factors, it would only be appropriate to reflect this in reserving to the extent the company can demonstrate that 1) such experience is expected to continue in the future and across a range of moderately adverse economic scenarios and 2) the company can demonstrate that it would be able to maintain its planned allocation to such assets under a range of moderately adverse economic scenarios.

With respect to the application of company specific defaults within the PBR calculation, there are two distinct applications that should be evaluated: in force assets and reinvestment assets. PBR currently applies an additional default through the net spread adjustment on all in force assets. Allowing the use of company-specific default assumptions when sufficient data exists to support their determination could potentially allow for more appropriate default rates, whether above or below the prescribed PBR default rate, that better reflect the underlying risk to which the company is exposed. This should be weighed against the loss of insight into the sensitivity of results and how the weighted average net spread compares across portfolios due to the use of a prescribed assumption that is shared across companies.

If company-specific defaults are allowed to be used in the calculation, the ARCS believes there must be consideration given to whether the company assumption would override all three prescribed default components (baseline, spread related factor, and net spread adjustment) of PBR, or only replace either the base or base + spread related factor default rate.

Finally, if LATF decides to allow for the use of company specific spreads and/or defaults, the ARCS is supportive of the use of PBR prescribed spreads and/or defaults in a disclosure-only run in addition to the disclosure of how the company assumptions were set in the VM-31 report.

Thank you for your consideration of these comments. Please contact Amanda Barry-Moilanen ([barrymoilanen@actuary.org](mailto:barrymoilanen@actuary.org)), the Academy's policy project manager, life, with any questions on this comment letter.

Sincerely,  
Bruce Friedland, MAAA, FSA  
Chairperson, Annuity Reserves and Capital Subcommittee  
American Academy of Actuaries



Brian Bayerle  
Chief Life Actuary  
202-624-2169

Hans Avery  
Actuary  
202-624-2012

Colin Masterson  
Sr. Policy Analyst  
202-624-2463

January 23, 2026

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

Ben Slutsker  
Chair, NAIC VM-22 (A) Subgroup

Re: APF 2025-16 Reinvestment Guardrail and PRT Reinvestment Guardrail Proposal Exposures

Dear Chairs Hemphill and Slutsker,

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide comments on the APF 2025-16 Reinvestment Guardrail and "PRT Reinvestment Guardrail Proposal" exposures.

ACLI supports principle-based approaches that align the calculation of liability reserves with the underlying risks. Revisiting the calibration of the required minimum credit quality in the reinvestment guardrail is a helpful step in that direction. Other actuarially appropriate considerations could include allowing illiquidity premiums where they align with the liquidity of liabilities, different treatment for nearer-term, more certain assumptions versus longer-term assumptions, liability sensitivity to interest rates, and reexamining the requirements for spreads and default rates.

In ACLI's view, both exposures have conceptual merit and warrant further discussion and analysis:

- APF 2025-16 would better align the Valuation Manual to the prudent investment-grade strategies used by many companies. As noted in the APF, ACLI members are actively working on real-world impact analysis of the proposed changes. Evaluating the results of this impact analysis is an important data point for finalizing the APF. We anticipate sharing results for VM-20 and VM-21 in January, and for VM-22 in early Q2.
- The PRT Reinvestment Guardrail proposal identifies legitimate differences in risk profiles between products and the assets backing those products. As noted in the exposure,

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

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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.

considerations such as liquidity restrictions could justify differences in reserve requirements. However, group annuities backing pension risk transfer are not the only products with favorable liquidity risk characteristics. Some of the arguments supporting a separate PRT guardrail also apply to other liabilities including but not limited to certain types of term life insurance, immediate annuities, or structured settlements.

We thank LATF and the VM-22 (A) Subgroup for continuously refining the Valuation Manual and encourage regulators to continue developing both proposals. Aligning reserve requirements with the underlying risks makes pricing more efficient and fairer, which supports ACLI members' goal of providing certainty for Americans through all stages of life.

Sincerely,

The image shows three handwritten signatures in blue ink. From left to right: 'B Banerjee', 'Hans Arling', and 'Colin Masterson'. The signatures are written in a cursive style.

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

# Reinvestment Guardrail Testing

Hans Avery, Actuary, ACLI



# Agenda

- Guardrails Tested
- Scale of Testing
- Testing Results: VM-20, VM-21, PRT



# Guardrails Tested

	VM-20/VM-21 Guardrail	VM-22 Guardrail	APF 2025-16 Guardrail
Treasuries		5%	5%
AA	50%	15%	15%
A	50%	80%	40%
BBB			40%



# Scale of Testing

- 6 companies tested PRT in 2025, before the NJ PRT proposal was introduced
- 13 companies tested APF 2025-16:
  - 10 companies contributed VM-20 results
  - 6 companies contributed VM-21 results
  - VM-22 testing is in progress



# APF 2025-16: VM-20

- NPR is binding for most companies
- Average decrease in reserve was 1.3%, range was 0.0-8.3% decrease
- Average decrease without NPR was 4.9%, range was 0.1-26.0% decrease
  - 26.0% is an outlier, next largest is 8.3%, average without outlier is 2.5%



# APF 2025-16: VM-21

- Average decrease in SR was 0.1%, range was 0.4% decrease to 0.5% increase
  - One company saw an increase due to impact on projected borrowing costs
  - For other companies, SR decreased by 0.2% on average

# APF 2025-16: PRT

- Tested the APF 2025-16 guardrail (Note: BBB proposal was not tested)
- Guardrail was binding for all 6 companies
- Average decrease in reserve was 0.2%, range was 0.1-0.3% decrease



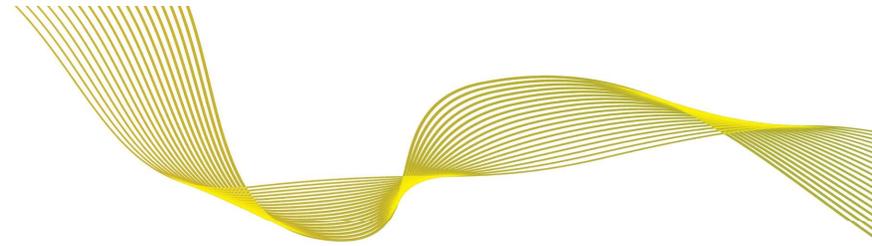
# APF 2025-16: VM-22

- Currently in progress, five contributions are expected by end of April
- VM-22 results are expected to be in line with PRT results (0.2% decrease)



# Thank you!

Contact: Hans Avery  
[HansAvery@acli.com](mailto:HansAvery@acli.com)



# 6. Consider Adoption of APF 2025-16

*Rachel Hemphill (TX)*



## 6.B. Hear Results of Model Office Testing

Scott O'Neal, FSA, MAAA  
NAIC

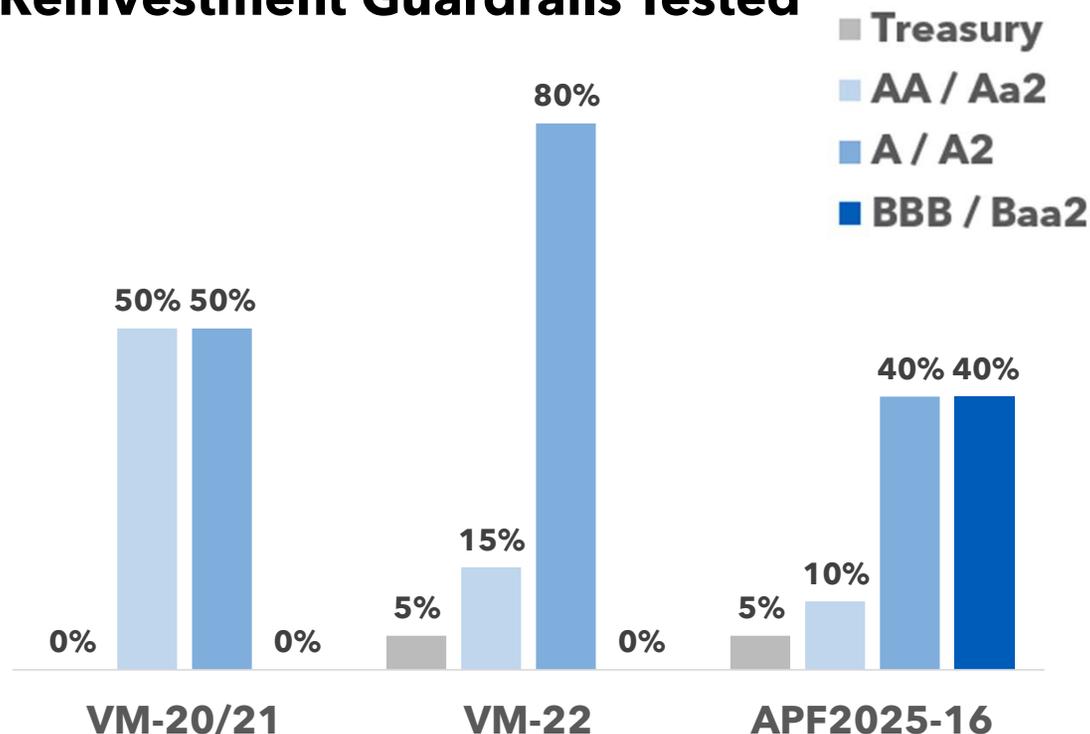
March 18, 2026

# Reinvestment Guardrails and Products Tested

## Products Tested

- VM-20: Universal Life with Secondary Guarantee
- VM-21: Variable Annuities with GLBs as tested in GOES Field Test
- VM-22: Various accumulation and payout products as tested in 2024 VM-22 Field Test

## Reinvestment Guardrails Tested

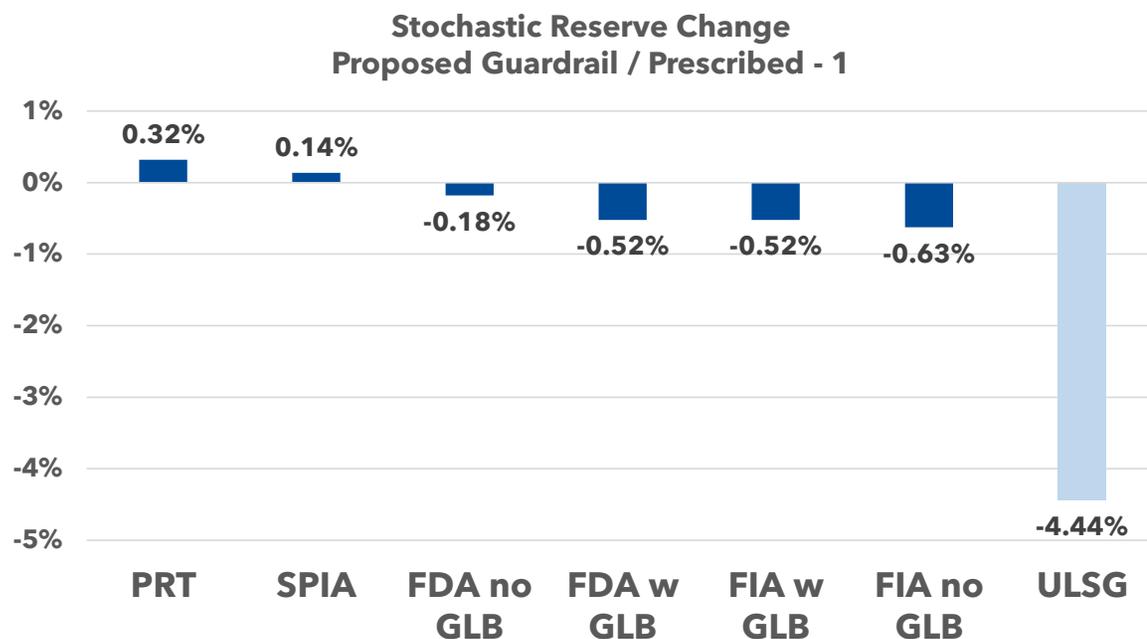


# Stochastic Reserve Change by Reinvestment Guardrail

**Prescribed for VM-20/21:** 50% AA, 50% A

**Prescribed for VM-22:** 5% Treasury, 15% AA, 80% A

**Proposed APF2025-16:** 5% Treasury, 15% AA, 40% A, 40% BBB



- Three Variable Annuity archetypes (MSO, NSO, NWI) used in GOES model office testing were used to impact test the reinvestment guardrail proposal.
- Negligible change in SR (-.005%, -.002%).

\*VM-22 source: Attachment #2, page 22 of [https://content.naic.org/sites/default/files/national\\_meeting/SupplementalMaterialsPacket\\_LATF\\_Fall2024.pdf](https://content.naic.org/sites/default/files/national_meeting/SupplementalMaterialsPacket_LATF_Fall2024.pdf)



## VM-20 ULSG Model Office

# Reinvestment Guardrail Impact Testing Results

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

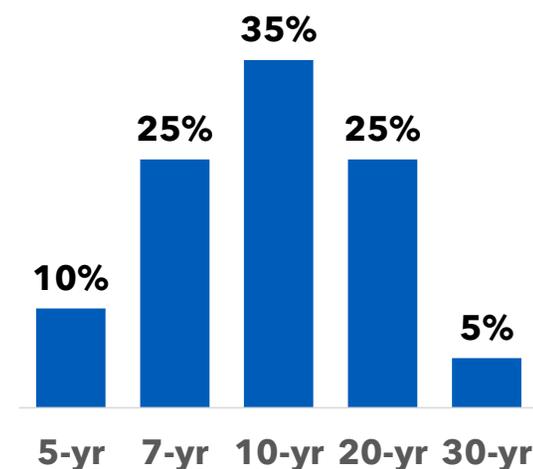
5

## VM-20 ULSG Model Office Description

Model assumptions and product features were selected based on industry benchmarks to be a simplified representation of products currently offered

### Projection model details

- Universal Life with shadow design lifetime secondary guarantee issued in 2020
- Valuation date 12/31/2023
- Time 0 reserves held in 50% 5-year BBB bonds and 50% 7-year BBB bonds
- Reinvestment strategy distributed across:
  - 5, 7, 10, 20, and 30-year bonds



## VM-20 ULSG Model Office Description (cont.)

Model assumptions and product features were selected based on industry benchmarks to be a simplified representation of products currently offered

---

### **Best estimate assumptions**

- Follows industry benchmark assumptions
  - Mortality experience is 100% credible with 20 years of sufficient data
  - UL crediting rate is dynamic and based on NAER less a spread, varying for each stochastic scenario
- 

### **Prudent estimate assumptions**

- VM-20 prescribed mortality margins based on credibility and sufficient data period
  - Minimal lapse when policy maintained in-force by NLG (i.e. CSV = 0)
-

# VM-20 Model Office Characteristics

## ULSG Model

Universal Life with Secondary Guarantees (ULSG) model—long-duration product, larger potential for reserve reduction

- No reinsurance in the model
- Mortality

### 2015 VBT Relative Risk Tables (ANB)

- Preferred NS = RR80
- Standard NS = RR100
- Standard SM = RR100

### Company Mortality

- High Band = 85% of RR Table
- Low Band = 90% of RR Table

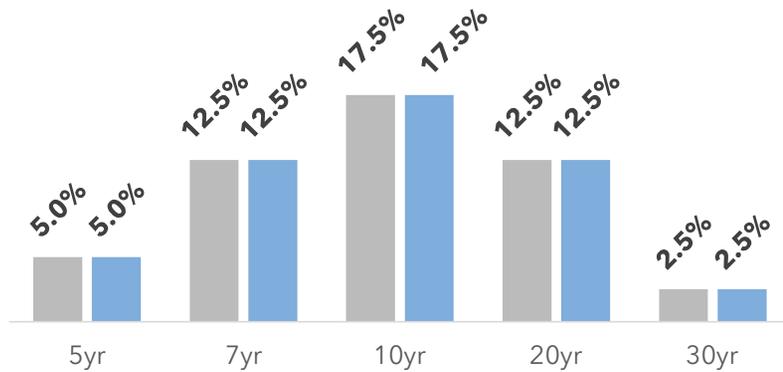
Industry Mortality = 100% RR Table

## Impact Testing

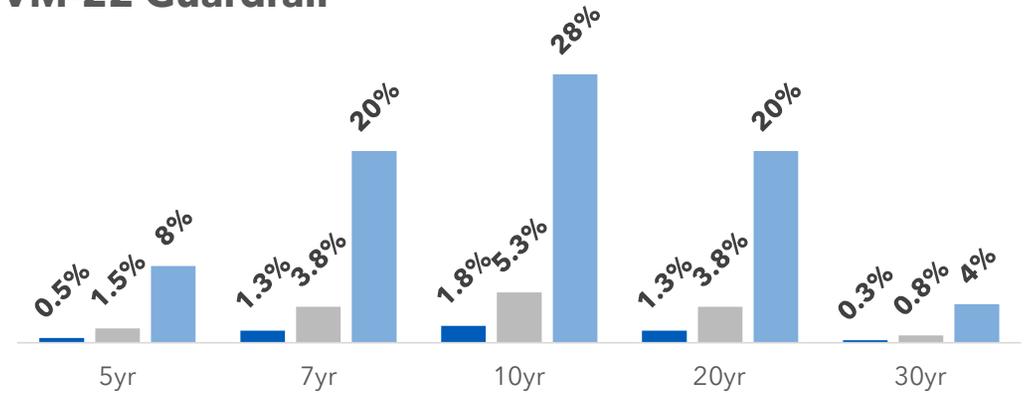
Issue Ages	Decennial issue ages 30-70
Gender	50/50 Male / Female
Risk Classes	Preferred Nonsmoker Standard Nonsmoker Smoker
Face Bands	Low (\$250K) High (\$1M)
Impact Measures	Stochastic Reserve by Reinvestment Strategy

# ULSG Reinvestment Strategy by Guardrail Tested

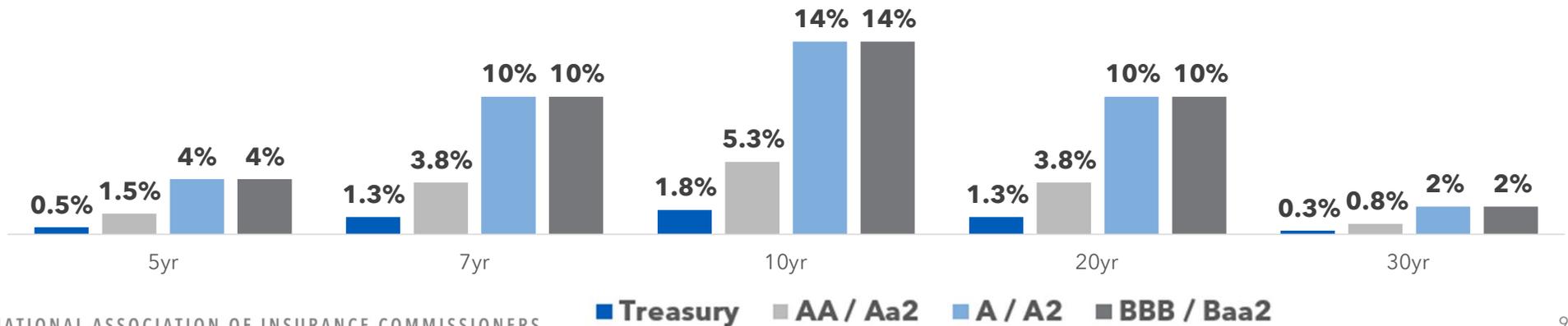
## Prescribed (VM-20)



## VM-22 Guardrail



## APF 2025-16 Guardrail



## ULSG Reinvestment Guardrail Impact Results

Metric	Reinvestment Guardrail			% Change from VM-20	
	VM20 GR	VM22 GR	APF GR	VM22	APF
SR	2,408,846	2,410,229	2,301,887	0.06%	<b>-4.44%</b>
DR	2,373,356	2,371,639	2,281,187	<b>-0.07%</b>	<b>-3.88%</b>
SERT Ratio	18.94%	18.93%	18.93%		



# VM-21 Variable Annuity Model Office

## Reinvestment Guardrail Impact Testing Results

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## VA Archetypes Tested

1000 Scenarios from YE 2023 GOES Scenario Set. See Appendix for more model office details.

### MSO

- **Mature:** Issued 2007 with average age 75
- **Strong** GMWB: 7% GMWB Rollup with income rates 5.5% - 7.0% based on attained age
- 75% of GMWB contracts taking income
- **OTM:** Benefit Base is 90%-100% of AV

### NSO

- **New:** Issued 2022 with average age 66
- **Strong** GMWB: 7% GMWB Rollup with income rates 5.5% - 7.0% based on attained age
- 20% of GMWB contracts taking income
- **OTM:** Benefit Base is 90%-100% of AV

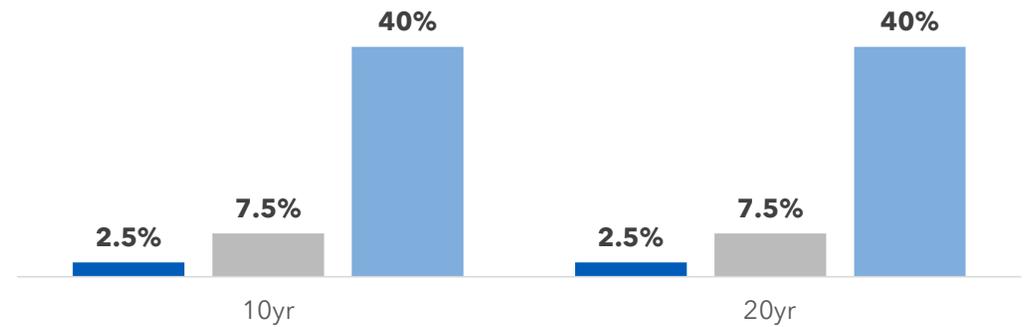
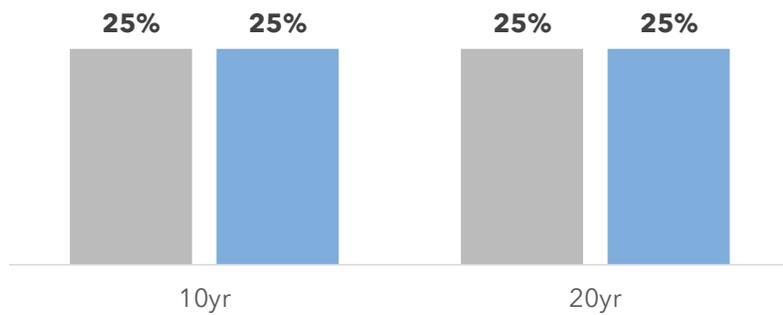
### NWI

- **New:** Issued 2022 and average age 66
- **Weak** GMWB: 3% GMWB rollup rate with income rates 4.0% - 5.5% based on attained age
- 20% of GMWB contracts taking income
- **ITM:** Benefit Base is 110%-140% of AV

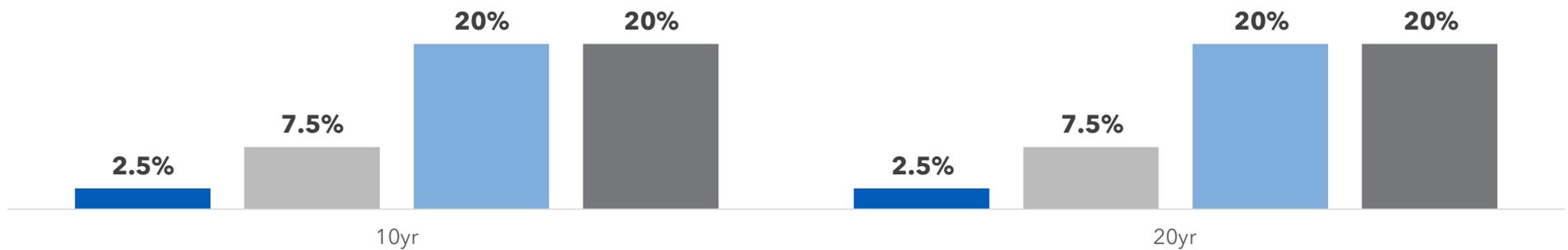
# VA Reinvestment Strategy by Guardrail Tested

## Prescribed (VM-21)

## VM-22 Guardrail



## APF 2025-16 Guardrail



## VA Reinvestment Guardrail Impact Results

Product	Stochastic Reserve (\$M)			% Change from VM-21	
	VM20 GR	VM22 GR	APF GR	VM22	APF
MSO	100.0	100.0	100.0	0.0002%	<b>-0.002%</b>
NSO	94.1	94.1	94.1	0.0001%	<b>-0.004%</b>
NWI	94.1	94.1	94.1	0.0002%	<b>-0.005%</b>

Product	TAR (\$M)*			% Change from VM-21	
	VM20 GR	VM22 GR	APF GR	VM22	APF
MSO	100.2	100.2	100.1	0.001%	<b>-0.007%</b>
NSO	94.2	94.2	94.2	0.000%	<b>-0.013%</b>
NWI	94.4	94.4	94.4	0.001%	<b>-0.014%</b>

\*TAR = Floored C3P2 + Floored VM21 Reserve

## VA Reinvestment Guardrails Unfloored Impact Results

Product	Stochastic Reserve (\$M) Unfloored			Compared to VM-21	
	VM21	VM22	APF	VM-22	APF
MSO	94.0	94.0	94.0	0.001%	0.006%
NSO	83.6	83.6	83.6	<b>-0.001%</b>	0.039%
NWI	87.4	87.4	87.5	<b>-0.001%</b>	0.049%

Product	Unfloored TAR (\$M)*			Compared to VM-21	
	VM21	VM22	APF	VM22	APF
MSO	94.7	94.7	94.7	0.003%	<b>-0.001%</b>
NSO	84.7	84.7	84.7	<b>-0.000%</b>	0.019%
NWI	88.6	88.6	88.6	<b>-0.000%</b>	0.028%

\*Unfloored TAR = Unfloored C3P2 + Unfloored VM21 Reserve



# VM-22 Non-variable Annuity Model Office

## Reinvestment Guardrail Impact Testing Results

## Common Model Elements

- 50-year projection
- Direct iteration method (DIM) using 200 GOES scenarios from the 2024 VM-22 Field Test
- Maintenance expenses follow SPA requirements as of the VM-22 field test
- Additional detailed model office information are in the Appendix and in [VM-22 Field Test and Model Office Results](#)

### Disclaimers:

- Changes made to VM-22 requirements (e.g. SPA assumptions) after the VM-22 Field Test are not reflected in these results.
- FIA model office results: cost of the FIA hedges was accounted for via a spreadsheet topside for each scenario. The model incorporates the payoffs of the hedges, but not the costs. The costs via topside, estimated as *option budget*  $\times$   $AV/12$  (since there are annual resets), which are reflected in the FIA results throughout this presentation. A system enhancement has been released from the vendor but is not reflected in these results.

## VM-22 Portfolio by Product

### Initial Bond Portfolio (A/AA)

Product	3YR	5YR	10YR	15YR
SPIA			<b>50%</b>	<b>50%</b>
PRT			<b>50%</b>	<b>50%</b>
FDA no GLB	<b>50%</b>	<b>50%</b>		
FDA with GLB			<b>50%</b>	<b>50%</b>
FIA no GLB	<b>50%</b>	<b>50%</b>		
FIA with GLB			<b>50%</b>	<b>50%</b>

### Reinvestment Bonds

Product	3YR	10yr
SPIA		<b>X</b>
PRT		<b>X</b>
FDA no GLB	<b>X</b>	
FDA with GLB		<b>X</b>
FIA no GLB	<b>X</b>	
FIA with GLB		<b>X</b>

## VM-22 Stochastic Reserve by Reinvestment Guardrail

- **VM-20/21**: 50% AA, 50% A
- **VM-22 (Prescribed)**: 5% Treasury, 15% AA, 80% A
- **APF2025-16 (Proposed)**: 5% Treasury, 15% AA, 40% A, 40% BBB

Product	VM-20/21 SR (\$M )	Prescribed SR (\$M )	Proposed SR (\$M )	Proposed / VM20 - 1	Proposed / Prescribed - 1
SPIA	512.4	511.9	512.6	0.04%	0.14%
PRT	472.3	470.2	471.7	<b>-0.13%</b>	0.32%
FDA (no WB)	278.7	277.9	277.4	<b>-0.47%</b>	<b>-0.18%</b>
FDA (WB)	808.7	806.5	802.3	<b>-0.79%</b>	<b>-0.52%</b>
FIA (no WB)*	289.3	288.0	286.2	<b>-1.07%</b>	<b>-0.63%</b>
FIA (WB)*	846.9	844.3	839.9	<b>-0.83%</b>	<b>-0.52%</b>

\* **Important disclaimer for the FIA model office results**: the cost of the FIA hedges is currently accounted for via a spreadsheet topside for each scenario. The model currently incorporates the payoffs of the hedges, but not the costs. We have included the costs via topside, estimated as *option budget x AV/12* (since there are annual resets), which are reflected in the results above and throughout this presentation. A system enhancement has been released from the vendor but is not reflected in the results above.



# Appendix

# VM-21 VA Model Office Description

Component	Description
Liability modeling	<ul style="list-style-type: none"> <li>Liability cash flows for model office comprised of the following product features:                             <ul style="list-style-type: none"> <li>Base variable annuity contract and a variety of GMxBs (GLWB, GMDB, GMIB) with typical features and charges</li> </ul> </li> <li>Modeled on a direct basis only (i.e., without reinsurance)</li> </ul>
Asset modeling	<ul style="list-style-type: none"> <li>Guardrail VM-21 prescribed strategy: 10-year bonds with ratings A and AA consistent with the guardrail prescribed under VM-21</li> </ul>
Calculations	<ul style="list-style-type: none"> <li>Outer loop cash flows under best estimate assumptions and input deterministic scenarios</li> <li>Pre-tax asset and liability projections under input stochastic scenarios reflecting all cashflows under prudent best estimate and VM-21 prescribed assumptions</li> <li>In force asset iteration at valuation date under input stochastic scenarios to achieve no GPVAD</li> <li>Fair value of living benefit riders on annual timesteps to support implicit hedging approach</li> </ul>

## VM-21 VA Model Office Description (cont.)

Component	Description
Assumption sets	<ul style="list-style-type: none"> <li>• Best estimate</li> <li>• Prudent best estimate</li> <li>• VM-21 standard projection prescribed</li> </ul>
Hedging	<ul style="list-style-type: none"> <li>• Employs the "cost of reinsurance" method (i.e., implicit method) in the best efforts run, option cost is charged at time 0 and rider fees and claims are removed</li> </ul>
Reporting	<ul style="list-style-type: none"> <li>• Stochastic reserve (CTE70 pre-tax under adjusted and best efforts hedge)</li> <li>• Standard projection add-on under CTEPA method (CTE70 under prescribed in excess of SR, subject to CTE70 - CTE65 unfloored buffer)</li> <li>• C3 at 100% RBC (CTE98 pre-tax and subsequent calculations). Note: C3 will be unsmoothed</li> </ul>
Other Characteristics	<ul style="list-style-type: none"> <li>• Male/Female sex split: 50/50</li> <li>• Qualified/Non-Qualified split: 65/35</li> <li>• Equity allocation: 70%</li> </ul>

# VM-22 FDA no GLB Model Office Description

## Stochastic Reserve (SR)

- 2012 IAM mortality table with 0.5% mortality improvement applied from 2012 up until each future projection year
- Base lapses: 1%, 1%, 2%, 2%, 4%, 40%, 10% (ultimate rate)
- Dynamic lapses: Factor based on moneyness. Moneyness = Current Crediting Rate / Market Rate: If Moneyness <= 0.8, then Factor = 150%, if >= 1.2, then Factor = 50%. Factor is interpolated between these points.
- Maintenance expense \$75 per contract multiplied by 1.025<sup>^</sup> (valuation year – 2015) in the first projection year and increased by an annual inflation of 2% each year thereafter, plus 7bps of projected AV for each year in the projection
- Prudent margins for mortality, lapses, expenses

## Product features

- Single premium at issue
- 5-year surrender charge period (9%, 8.5%, 7.5%, 5.5%, 4%), with MVA
- Free partial withdrawal of 10%
- 1% minimum guarantee crediting rate
- Crediting equal to 7-year treasury minus 50 bps spread
- Crediting is reset at end of CDSC and then annually thereafter
- Commissions 5% of year 1 premium
- Partial withdrawals
- No Annuitizations

## In force distribution

- 1,200 policies (600 male, 600 female)
- 10 issue years of business (2014-2023), distributed equally across issue months and based on expected lapsation through valuation date
- Issue ages 45 (5%), 50 (15%), 55 (20%), 60 (30%), 65 (25%), 70 (5%)

\*\* Assumptions based on [VM-22 Specs](#), which reference [VM-22 Draft - 2023](#) and [VM-22 SPA - June 2024 Clean](#) as used in the 2024 VM-22 Field Test.

# VM-22 FDA with GLB Model Office Description

## Stochastic Reserve (SR)

- 2012 IAM mortality table with 0.5% mortality improvement applied from 2012 up until each future projection year
- Base Lapses: 1%, 1, 2, 2, 2, 2, 3, 3, 4, 5, 10% (ultimate rate)
- Dynamic Lapses: Factor from 50% to 150% when AV > 0; Factor = 0% when AV = 0; Factor based on ITM, where ITM = PV of WB payments divided by CSV. If ITM <= 0.8, then Factor = 150%. If ITM >= 1.2, then Factor = 50%. Factor is interpolated between those two points.
- Maintenance expense of \$75 per contract multiplied by 1.025^(valuation year – 2015) in the first projection year and increased by an annual inflation of 2% each year thereafter, plus 7bps of projected AV for each year in the projection
- Prudent margins for mortality, lapses, expenses
- Hedge modeling with 5% error

## Product features

- Single premium at issue
- 10-year surrender charge period (9%, 8.5%, 7.5%, 6.5%, 5.5%, 4.5%, 3.5%, 3%, 2%, 1%), without MVA
- Free partial withdrawal of 10%
- 1% minimum guarantee crediting rate
- Crediting equal to 7-year treasury minus 50 bps spread; Crediting is reset at end of CDSC and then annually thereafter
- GLWB rider with fees equal to 75 bps of benefit base (BB)
- BB grows at 8% (simple interest) per year for 10 years or until withdrawals begin (whichever comes first)
- Commissions 5% of year 1 premium
- 0% Annuitizations
- Partial Withdrawals: assume policyholders withdraw 100% of the maximum withdrawal percentage; wait periods distributed by duration and attained age

## In force distribution

- 1,200 policies (600 male, 600 female)
- 10 issue years of business (2014-2023), distributed equally across issue months and based on expected lapsation through valuation date
- Issue ages 50 (15%), 55 (25%), 60 (35%), 65 (20%), 70 (5%)

\*\* Assumptions based on [VM-22 Specs](#), which reference [VM-22 Draft - 2023](#) and [VM-22 SPA - June 2024 Clean](#) as used in the 2024 VM-22 Field Test.

# VM-22 FIA no GLB Model Office Description

## Stochastic Reserve (SR)

- 2012 IAM mortality table with 0.5% mortality improvement applied from 2012 up until each future projection year
- Base Lapses: 1%, 1, 2, 2, 4, 40, 10% (ultimate rate)
- Dynamic Lapses: Factor from 50% to 150% when AV > 0; Factor = 0% when AV = 0; Factor based on ITM, where ITM = PV of WB payments divided by CSV. If ITM <= 0.8, then Factor = 150%. If ITM >= 1.2, then Factor = 50%. Factor is interpolated between those two points.
- Maintenance expense of \$75 per contract multiplied by 1.025<sup>(valuation year - 2015)</sup> in the first projection year and increased by an annual inflation of 2% each year thereafter, plus 7bps of projected AV for each year in the projection
- Prudent margins for mortality, lapses, expenses
- Hedges on index credits, with 1% error
- Approximate dynamic hedge strategies for WB, with 5% error

## Product Features

- Single premium
- 5 year surrender charge period (9%, 8.5, 7.5, 5.5, 4) with MVA
- 10% Free Partial Withdrawal
- Crediting is 1-year cap S&P 500 indexed account; initial option budget and spread set via market calibration at 12/31/2023; renewal terms equal to NER minus initial spread
- Commissions 5% per premium in year 1
- No annuitizations

## In force Distribution

- 1440 FIA no GLB policies (720 male, 720 female)
- 10 issue years of business (2014-2023), distributed based on expected lapsation for years leading up through valuation date, and distributed equally across issue months
- Issue ages 45 (5%), 50 (15%), 55 (20%), 60 (30%), 65 (25%), 70 (5%)

\*\* Assumptions based on [VM-22 Specs](#), which reference [VM-22 Draft - 2023](#) and [VM-22 SPA - June 2024 Clean](#) as used in the 2024 VM-22 Field Test.

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# VM-22 FIA with GLB Model Office Description

## Stochastic Reserve (SR)

- 2012 IAM mortality table with 0.5% mortality improvement applied from 2012 up until each future projection year
- Base Lapses: 1%, 1, 2, 2, 2, 2, 3, 3, 4, 5, 10% (ultimate rate)
- Dynamic Lapses: Factor from 50% to 150% when  $AV > 0$ ; Factor = 0% when  $AV = 0$ ; Factor based on ITM, where  $ITM = PV \text{ of WB payments} / CSV$ . If  $ITM \leq 0.8$ , then Factor = 150%. If  $ITM \geq 1.2$ , then Factor = 50%. Factor is interpolated between those two points.
- Maintenance expense of \$75 per contract multiplied by  $1.025^{(\text{valuation year} - 2015)}$  in the first projection year and increased by an annual inflation of 2% each year thereafter, plus 7bps of projected AV for each year in the projection
- Prudent margins for mortality, lapses, expenses
- Hedges on index credits, with 1% error
- Approximate dynamic hedge strategies for WB, with 5% error

## Product Features

- Single premium
- 10 year surrender charge period (9%, 8.5, 7.5, 6.5, 5.5, 4.5, 3.5, 3, 2, 1) with MVA
- 10% Free Partial Withdrawal
- Crediting is 1-year cap S&P 500 indexed account; initial option budget and spread set via market calibration at 12/31/2023; renewal terms equal to NER minus initial spread
- Commissions 5% per premium in year 1
- GLWB with fees equal to 75 bps of BB
- BB grows at 8% (compound) per year for 10 years or until withdrawals begin (whichever comes first)
- Maximum Annual Withdrawal Percentage 3.5% - 6% of GLWB BB varies by attained at age first withdrawal (45-79+)
- No annuitizations

## In force Distribution

- 1200 Qualified (600 male, 600 female)
- 1200 Non-Qualified (600 male, 600 female)
- 10 issue years of business (2014-2023), distributed based on expected lapsation for years leading up through valuation date, and distributed equally across issue months
- Issue ages 50 (15%), 55 (25%), 60 (35%), 65 (20%), 70 (5%)

\*\* Assumptions based on [VM-22 Specs](#), which reference [VM-22 Draft - 2023](#) and [VM-22 SPA - June 2024 Clean](#) as used in the 2024 VM-22 Field Test.

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## VM-22 SPIA Model Office Description

### Stochastic Reserve (SR)

- 2012 IAM mortality table with 0.5% mortality improvement applied from 2012 up until each future projection year
- Maintenance expense of \$10 per contract with 2% annual inflation
- Prudent margins for mortality and expenses
- 0% Lapse
- No partial withdrawals
- No annuitizations

### Product Features

- Single premium at issue
- 10 year certain payout annuity with life contingent payments thereafter
- No riders

### In force Distribution

- 1,200 policies (600 male, 600 female)
- 10 issue years of business (2014-2023), distributed equally across issue months
- Issue ages 60 (10%), 65 (25%), 70 (35%), 75 (20%), 80 (10%)

\*\* Assumptions based on [VM-22 Specs](#), which reference [VM-22 Draft - 2023](#) and [VM-22 SPA - June 2024 Clean](#) as used in the 2024 VM-22 Field Test.

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# VM-22 PRT Model Office Description

## Stochastic Reserve (SR)

- 50/50 mix of blue and white collar mortality with no mortality improvement
- Maintenance expense of \$61 per contract with 2% annual inflation and a 5% margin
- Prudent margins for mortality and expenses
- 200 scenario sets (via scenario picker) from GOES scenario set #1\*
- No lapses, no partial withdrawals
- Annuitizations: Base case is all policies annuitize
- Reinvested into 10-year bonds using guardrail sensitivities

## Product Features

- **Block 1: 80% retirees / 20% deferreds.** 75% of deferreds take a lump sum prior to retirement and 25% annuitize to proxy for a deal where the carrier writes the contract prior to the plan conducting a termination.
- **Block2: 90% retirees /10% deferreds.** 100% of the deferreds annuitize to proxy a deal where the carrier writes the contract AFTER the plan has already done a lump sum offering or a plan that doesn't offer lump sums at all
- **Block3: DIA / SS.** Younger age block of deferred income annuities and structured settlements with payments starting at specified age or duration

## In force Distribution

- 3,600 policies (1,800 male, 1,800 female)
- 10 issue years of business (2014-2023), distributed equally across issue months
- Issue ages 50 (3%), 55 (2%), 60 (15%), 65 (20%), 70 (20%), 75 (20%), 80 (20%)

\*\* Assumptions based on [VM-22 Specs](#), which reference [VM-22 Draft - 2023](#) and [VM-22 SPA - June 2024 Clean](#) as used in the 2024 VM-22 Field Test.

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## Agenda Item 7

Hear an Update from the Society of Actuaries  
(SOA) on the Development of a new Valuation  
Basic Table (VBT)



# Developments for New VBT

Valuation Basic Table Working Group  
of the SOA Mortality and Longevity Oversight Advisory Council

MARCH | 2026

## Presentation Disclaimer

*The material and information contained in this presentation is for general information only. It does not replace independent professional judgment and should not be used as the basis for making any business, legal or other decisions. The Society of Actuaries assumes no responsibility for the content, accuracy or completeness of the information presented.*

## Previously Agreed Upon Process for Evaluating When to Make VBT Table Updates

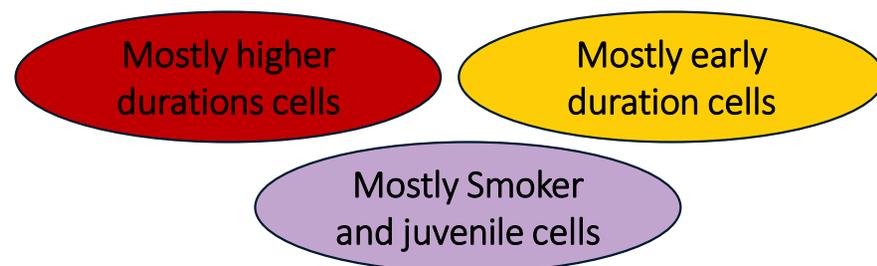
- When 2015 VBT was released, intent to consider updating the table every 5 years
- Developed methodology for analyzing the fit of the table to experience
  - Experience metrics
  - Confidence intervals, 1<sup>st</sup> and 2<sup>nd</sup> moments
- If experience suggest change, consider:
  - Factor-based changes
  - Select targeted adjustments
  - Full new table

### Data suggests need for change

Work performed using the NAIC/ILEC data suggests there is a need for changes in the table at the younger and older ages and for female risks, suggesting a full new table is needed

## Analysis of Recent Historical Data Fit to 2015 VBT

- Only fully underwritten policies, durations 1-36\*
- Measured tabular rates relative to the 2015 VBT and where within and outside the 95% confidence interval
  - Aggregated for each sex-tobacco-decennial age group
  - Grouped by duration, where necessary, to create full credibility



	# Cells	% Cells	A/E	% of Face Amount
Above	41	29	108.3%	14.2%
Within	35	24	101.3%	15.7%
Below	56	39	84.4%	67.4%
Not Credible	11	8	104.9%	2.7%
Overall	143	100	90.7%	100%

All analysis signals a sloping issue and that a new table is best approach

\* Excludes experience for Substandard, Post level term, Term conversions, Joint lives, Unismoke and Unisex

## 11 Years In – Many things have changed

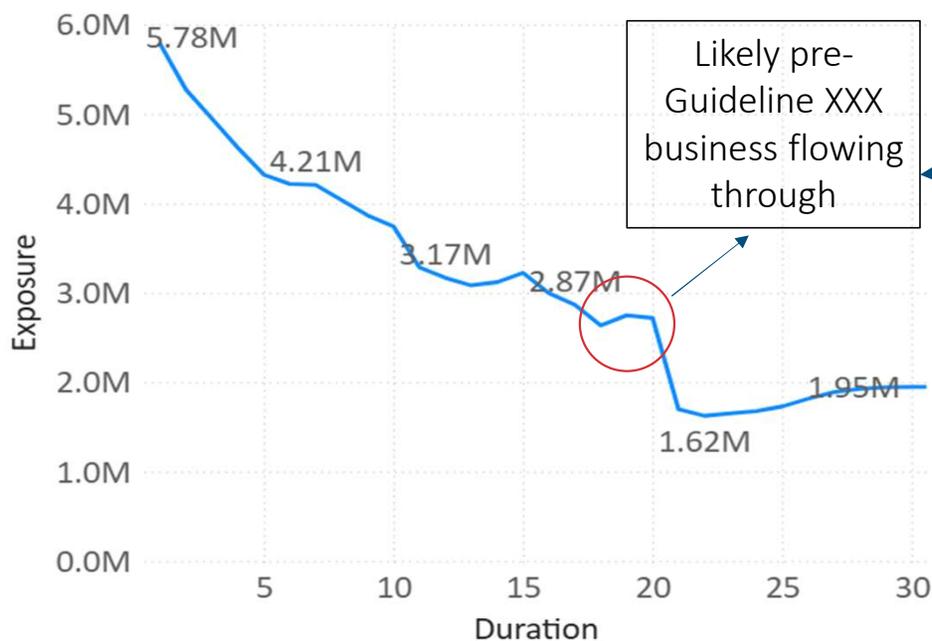
- Shift from voluntary contribution to VM-51 mandatory data collection
  - ➔ More consistent set of participants but different mix of business
- Different statistical agent and data collected
  - ➔ Focused on exposure years 2018-2019 (ignoring COVID years)

Data	Exposure		Actual Deaths	# Companies
	Count	Amount	Count	
2015 VBT (2002-2009)	266 M	\$30.7 T	2.6M	51
2018-2019	125 M	\$29.9 T	1.2M	107
Change	-53.0%	-2.6%	-53.8%	+56

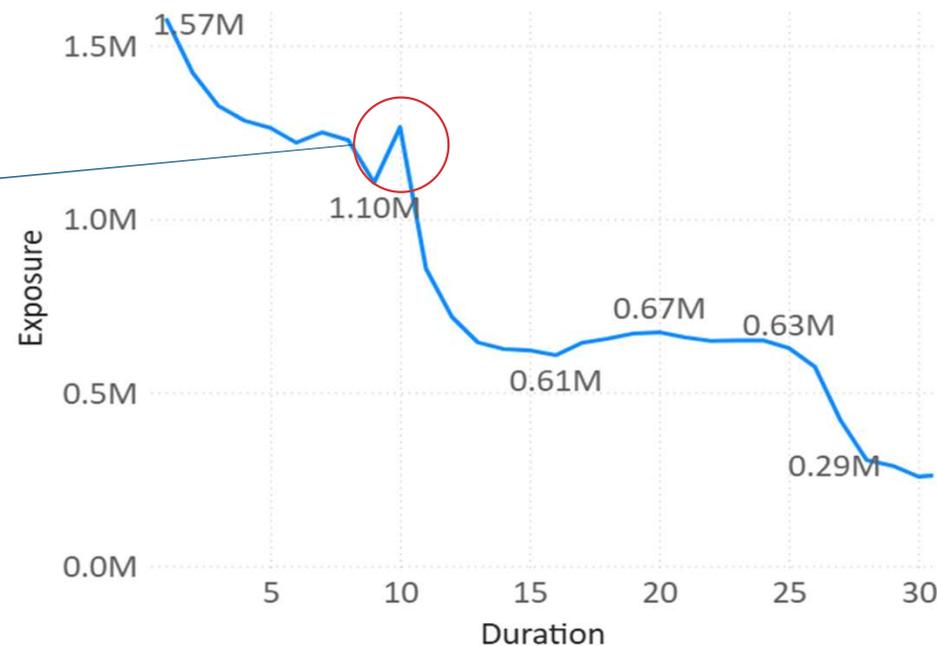
Fewer but larger policies, fewer deaths

## Exposure varies significantly with significant shift from duration 10 to duration 20

### 2018-19 Policy Exposure by Duration



### 2009 Policy Exposure by Duration



## More recent experience shows very different pattern by duration and age group

A/E<sup>\*^</sup> 2018-2019 Exposure Years

Issue Ages	Duration Band	Average Issue Age	Average Duration	Exposure # (000s)	Actual Claims # (000s)	Wtd Average** Face Amount \$ (000s)	A/E #	A/E \$
0-17	1+	5.7	29.3	25,638	101	40	96%	109%
18-69	1-20	35.8	9.2	73,964	160	360	104%	80%
18-69	21+	24.4	37.6	47,630	989	50	105%	102%
70+	1+	73.5	9.0	957	49	379	105%	83%
All	1+	31.6	20.2	122,550	1,198	240	104%	87%

\* E = 2015 VBT RR100, NS/SM/Unk Tables

^ Excludes post level term

\*\* Weighted by policy count; averages weighted by policy amount are different and generally much higher, notably for issue age groups 18-69, durations 1-20 at \$1,699k and 70+ at \$5,031k



## New VBT Table Development Focus and Process

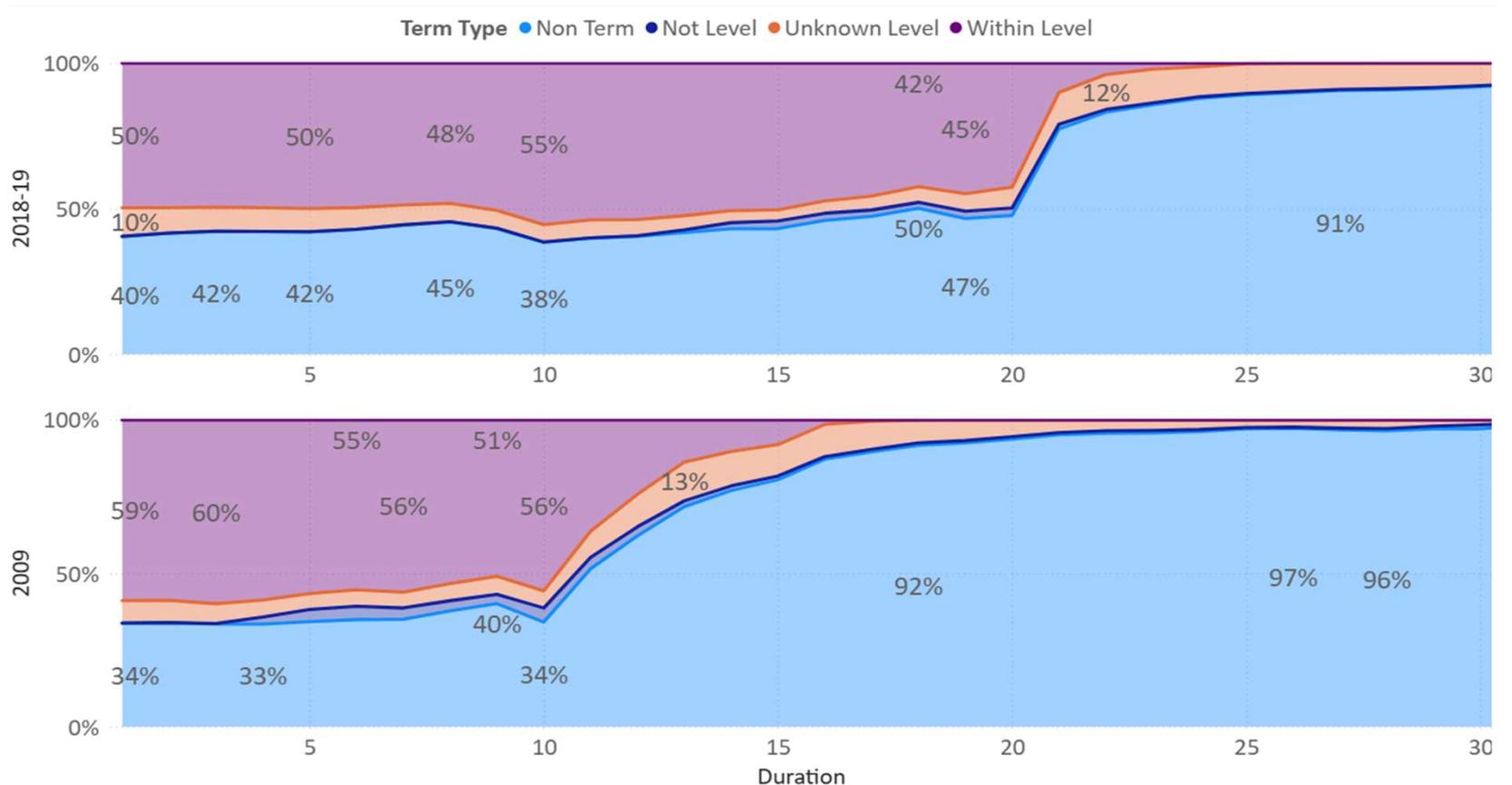
- 1 Go forward table focus
- 2 Start with most recent ILEC experience and consider adjustments
- 3 Juvenile and older age adjustments
- 4 Select vs. ultimate period
- 5 ANB, ALB, Unismoke, Unisex adjustments
- 6 RR tables (# and relativity) including preferred wear-off pattern
- 7 Develop table(s), perform heuristic monotonicity checks
- 8 Model office testing
- 9 Determine if margins in CSO still sufficient
- 10 Valuation manual amendments, if needed



# Mix of Business Has Changed Significantly Since 2009

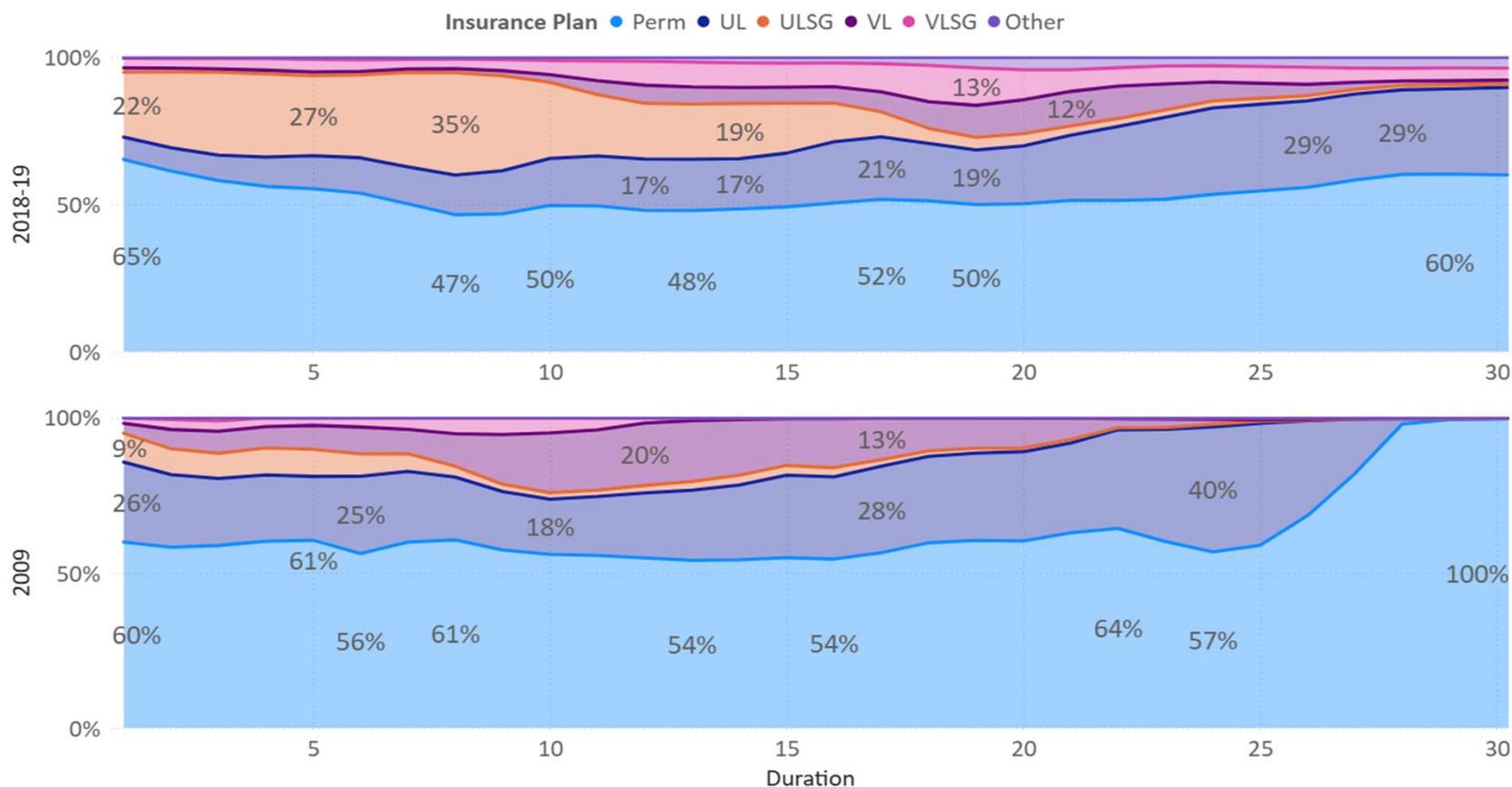
# Product mix has shifted to higher proportion of longer level term and significant difference in mix after duration 20

Policy Exposure by Duration and Term Type



# Non-Term: Shift away from Non-Guaranteed UL\* to ULSG^ In Early Durations

Policy Exposure by Duration and Non-Term Plan

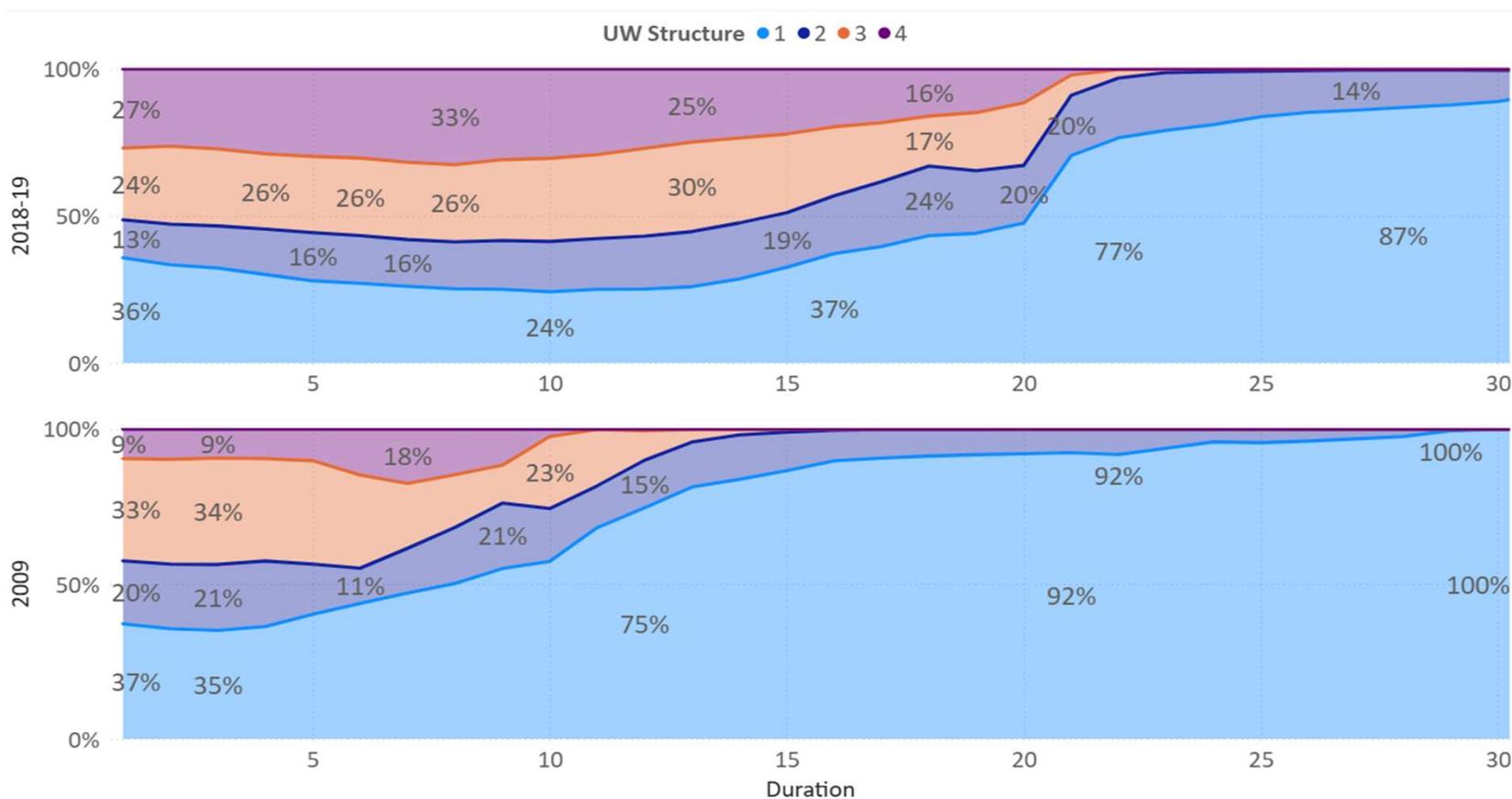


\* UL includes IUL; ^ ULSG includes IULSG



## All products: Shift in split by underwriting structure to much higher proportion with 3+ NS risk classes in all durations (up to 25)

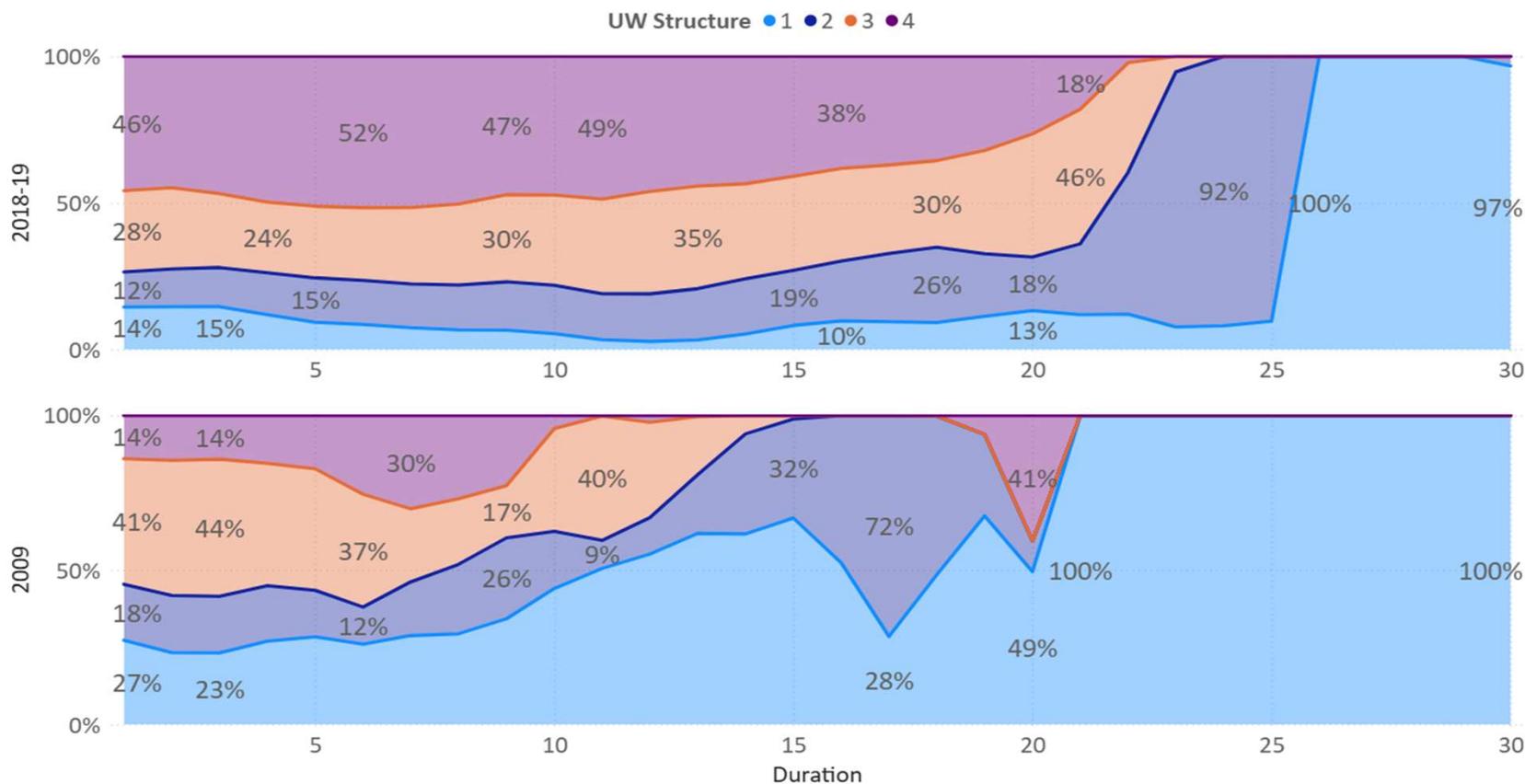
Policy Exposure by Duration and Underwriting Structure\*



\* As defined in VM-51 (e.g., 1/x, 2/x, etc. where x is the total number of NS classes)

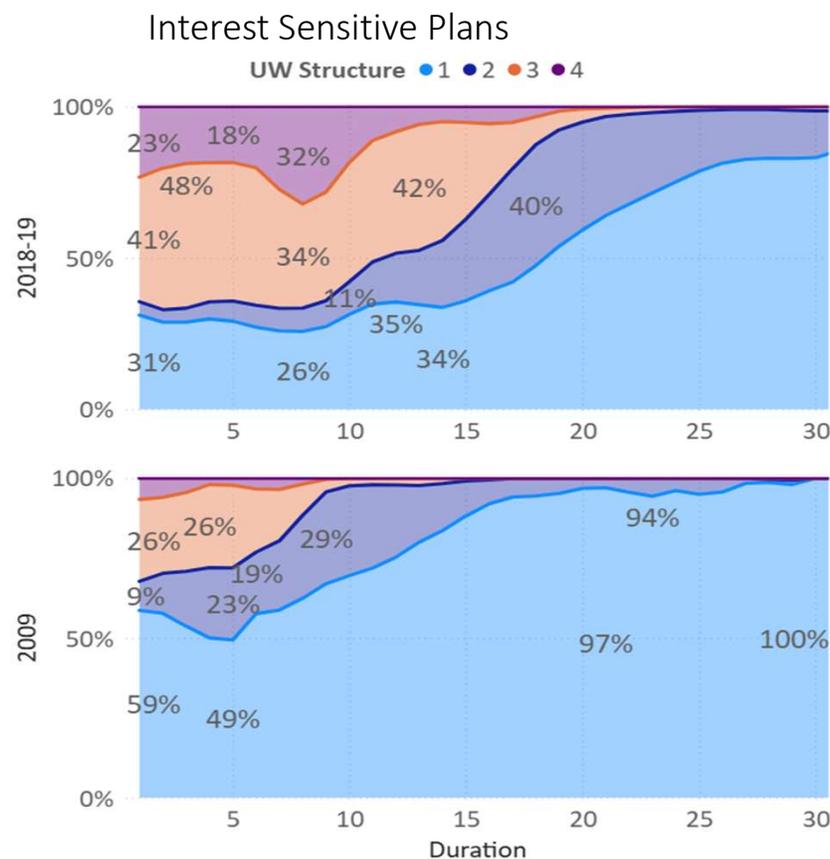
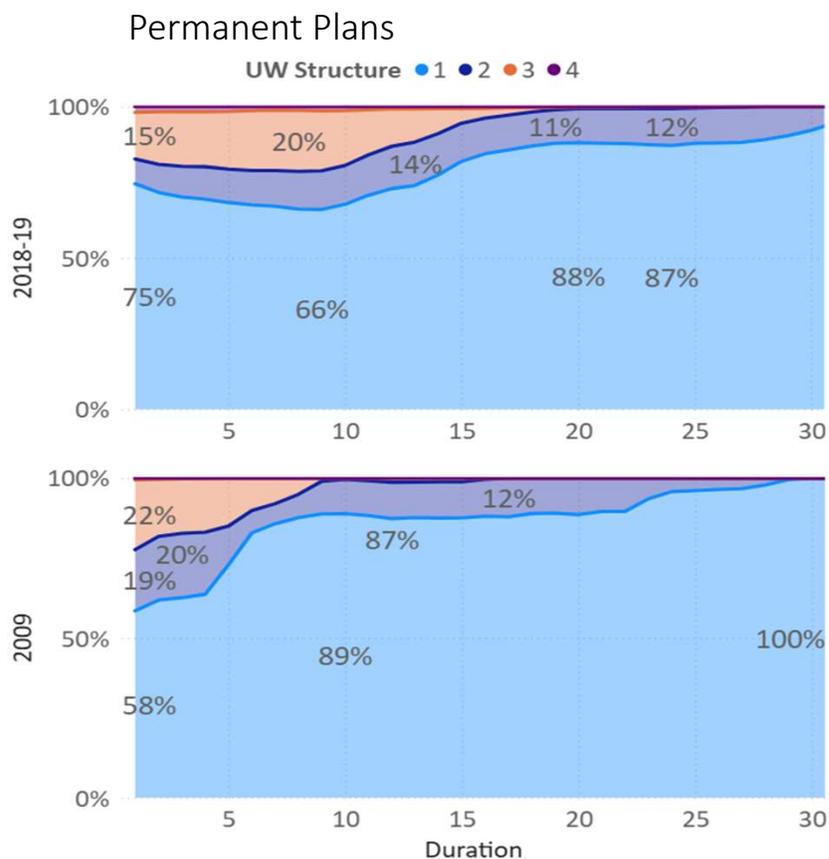
# Level Premium (Defined) Term: Significant Shift to 4NS Risk Class Structures, but Varies by Duration

Policy Exposure by Duration and Within Term Underwriting Structure



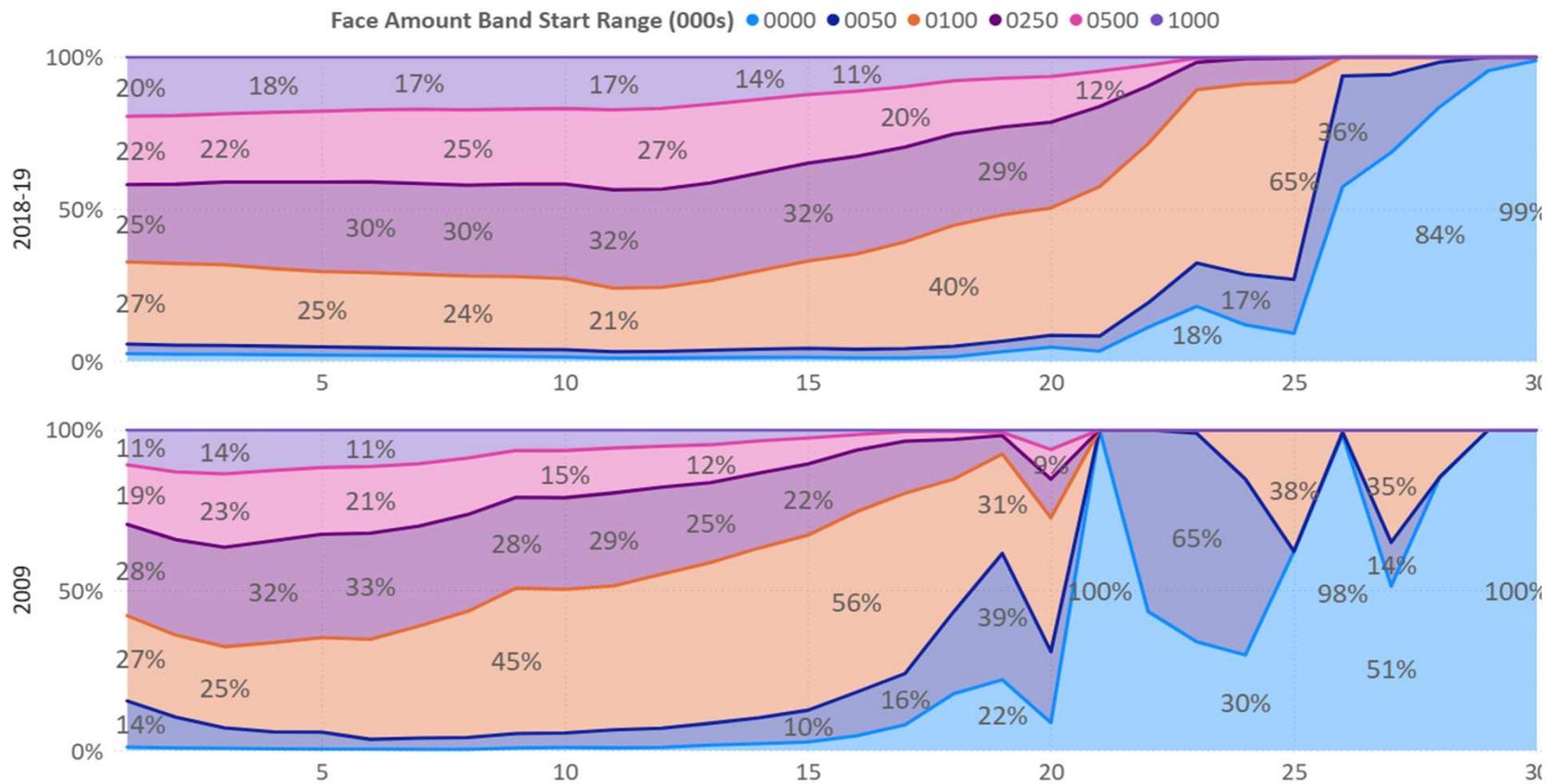
# Underwriting Structure Changes More Prominent for Interest Sensitive Plans than Permanent

Policy Exposure by Duration and Underwriting Structure— Perm v Interest Sensitive Plans



# Experience by Face Amount Band, with Increased Face Amount Exposure for Term Plans\*

Policy Exposure by Duration and Within Level Term Period Face Amount



\* Change for Non-Term plans is non-remarkable



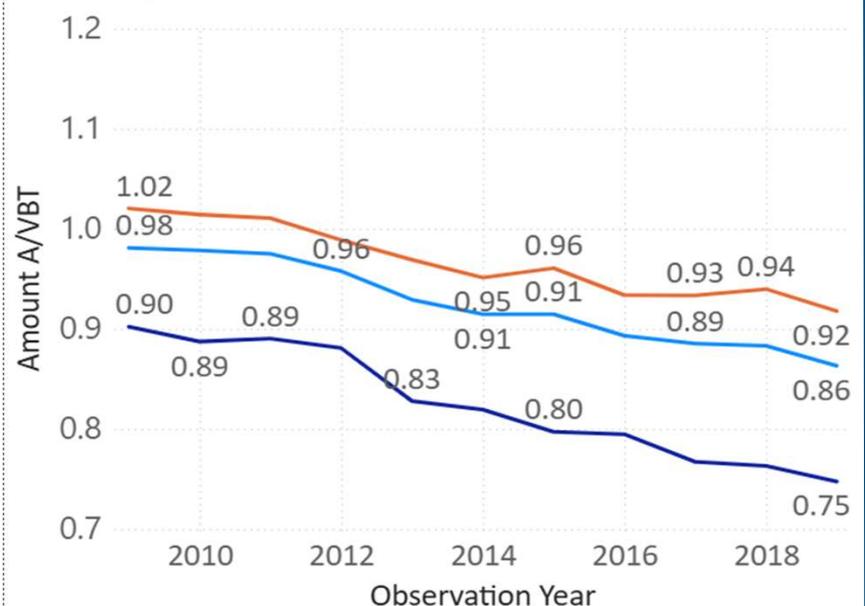


# Changes in mix of business Contribute to different mortality levels and patterns by product type

# A/E\*^ (by Amount) Very Different by Product Type, Duration and Observation Year

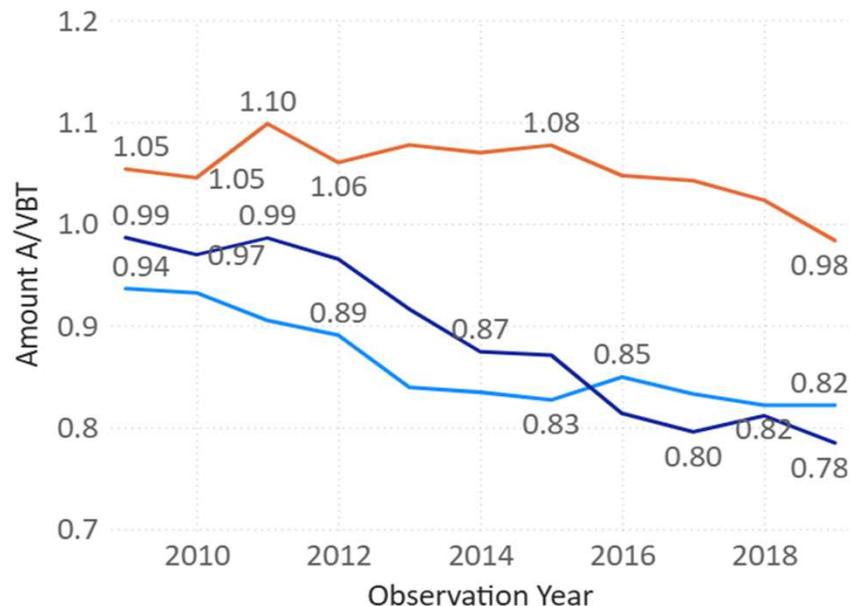
A/E for All Plans, Within Defined Term and Non Term

Plan Group ● All Plans ● Within Term ● Non Term



A/E for All Plans, by Duration Group

Duration Band ● 01-10 ● 11-20 ● 21-30

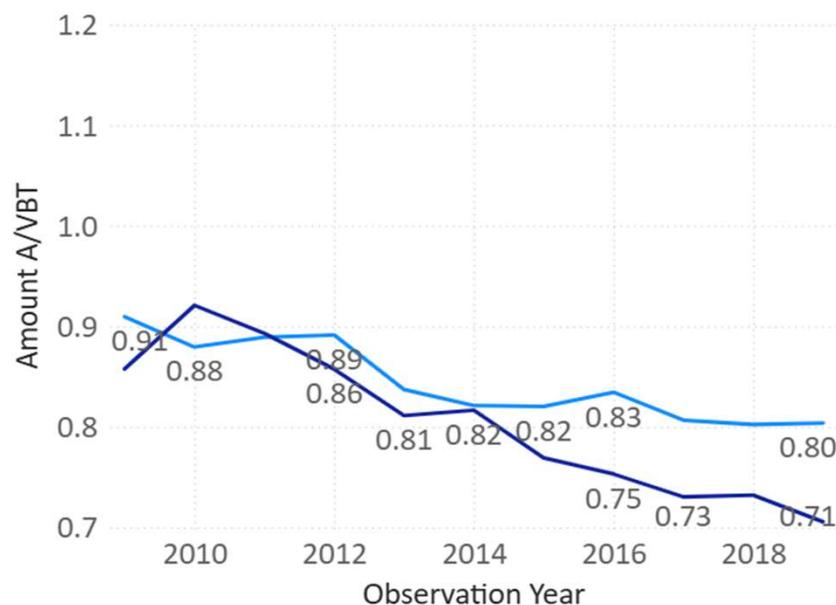


\* E = 2015 VBT RR100  
 ^ Excludes post level term

# A/E\*^ (by Amount) Very Different by Product Type, Duration and Observation Year

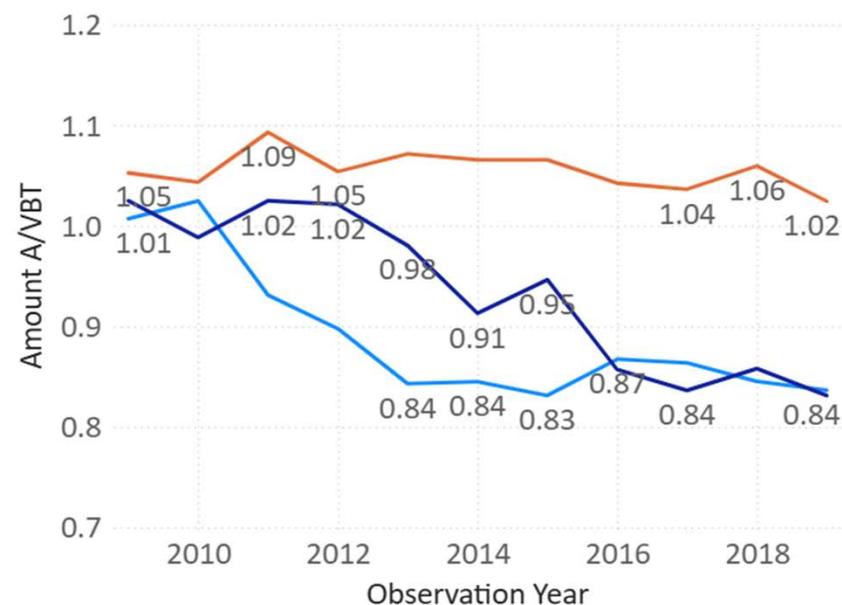
A/E by Duration Group, Defined Term

Duration Band ● 01-10 ● 11-20



A/E by Duration Group, Non Term

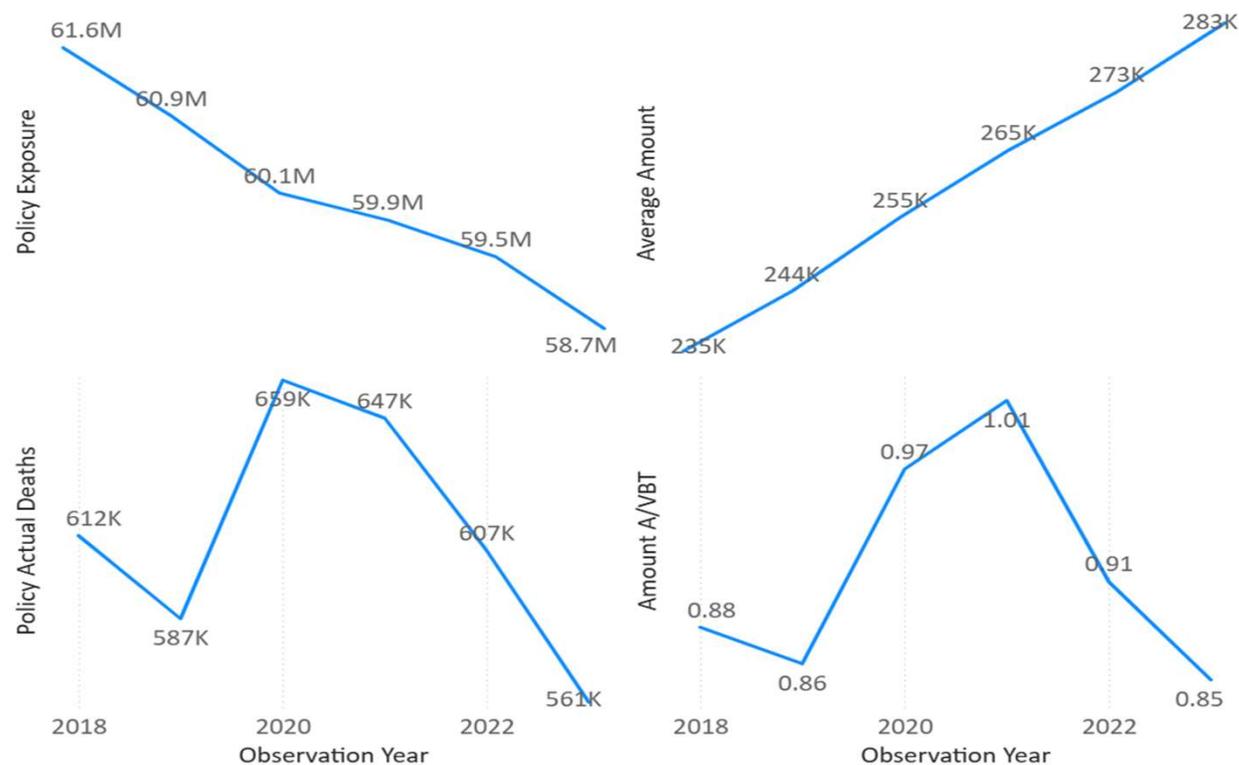
Duration Band ● 01-10 ● 11-20 ● 21-30



\* E = 2015 VBT RR100  
 ^Excludes post level term

## More recent experience, 2020-2023\* does not clarify the picture

- There are significant changes in the experience between 2018/2019 and the 2020-2022 COVID-19 years
- 2023 appears more consistent with earlier observation years

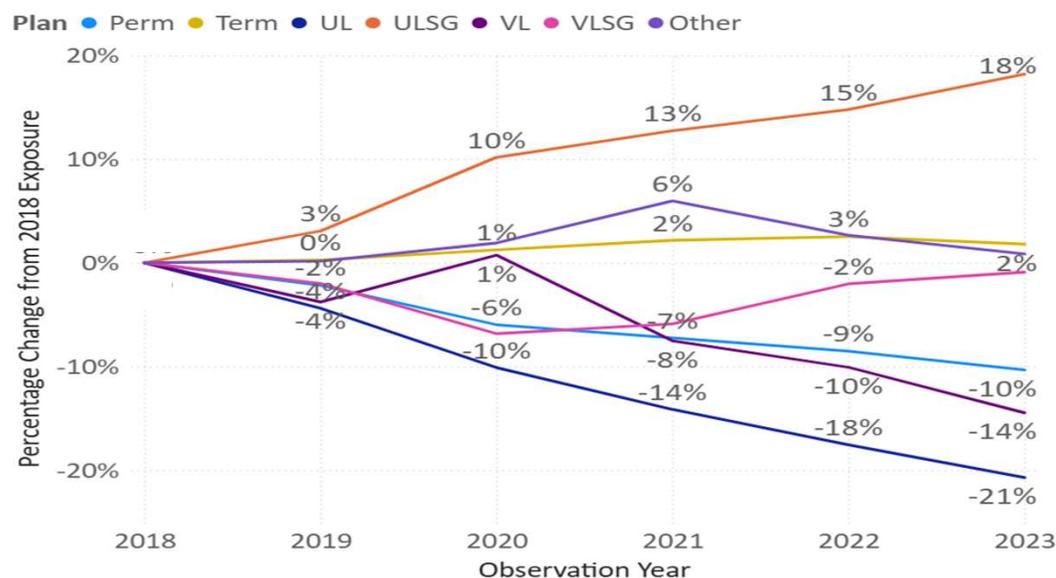


\* Preliminary. Analysis not yet final.

## Exposure by plan type has also shifted significantly from 2018 to 2023\*

- There are significant changes in the experience between 2018/2019 and the 2020-2022 COVID-19 years
  - UL, VL, and Perm declined
  - Term remained steady
  - ULSG increased substantially, due to 14% annualized growth in IULSG

Policy Exposure Change Since 2018 by Plan

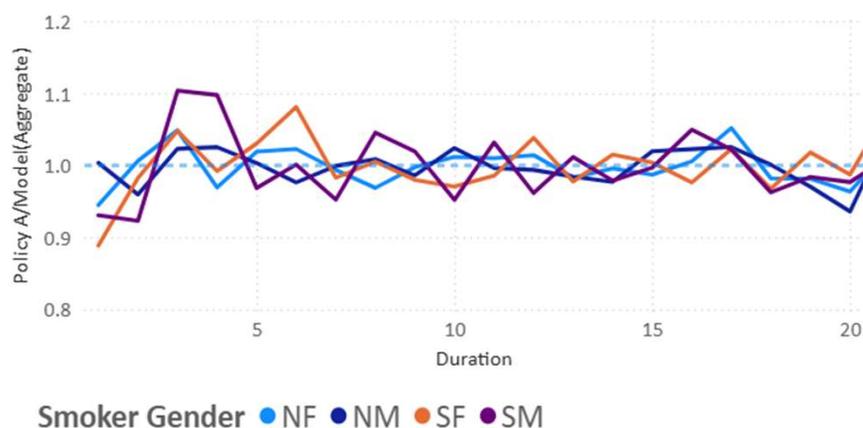


## Preliminary Modeling Results: Using 2018-2019 Data, Starting Aggregate Model Shows Reasonable Fit to Actuals

“High dimension”, tensor smoothed, Poisson, Generalized Additive Models (GAMs) with

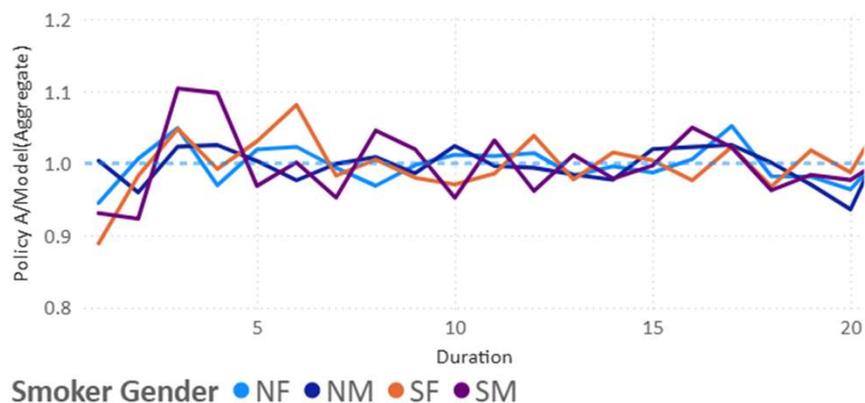
- Attained Age and Deaths,
- Smoker Status and Gender
- Policy Weighted Exposure and Deaths
- All data included other than:
  - Post level term
  - Term conversions
  - Substandard lives
  - Joint lives

Actual to Model (Policy) by Duration and Risk Class  
Model fit by Smoker and Gender

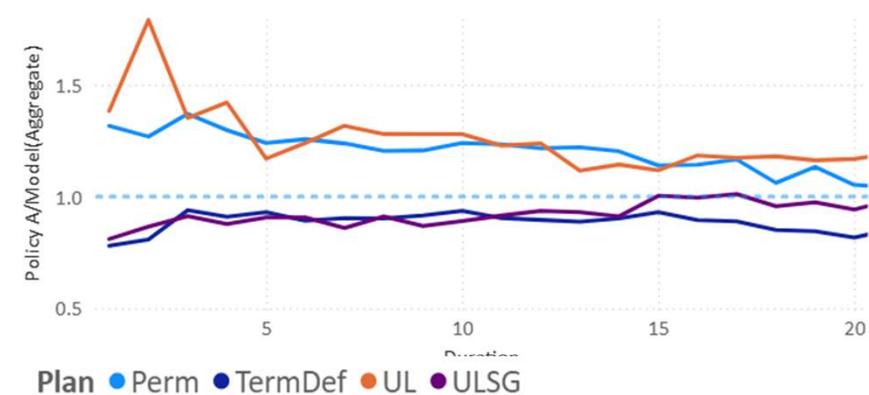


## Aggregate Table Appears to Fit Well for Broad Gender and Smoker Groups, but Less So Across the Different Plan Types

Actual to Model (Policy) by Duration and Risk Class  
 Model fit by Smoker and Gender



Actual to Model (Policy) by Duration and Plan\*  
 Model fit by Smoker and Gender



Differences seem to drive different fit and patterns between products more prominently than historical experience



\* UL includes IUL, VUL ; ULSG includes IULSG, VULSG

## Aggregate Model Refined to Test at Different Level of Granularity (Incorporating Different Attributes or Interactions)

Aggregate model tested against model fit with additional granularity or interactions:

Modeling Interactions	Data Grouping*	
Plan Type	<ul style="list-style-type: none"> <li>• Perm</li> <li>• Defined Term (Level Premium Term)</li> </ul>	<ul style="list-style-type: none"> <li>• UL (includes IUL, VUL)</li> <li>• ULSG (includes IULSG, VULSG)</li> </ul>
Face Amount Band	<ul style="list-style-type: none"> <li>• &lt; \$100k</li> <li>• \$100k - \$249k</li> </ul>	<ul style="list-style-type: none"> <li>• \$250k - \$499k</li> <li>• ≥ \$500k</li> </ul>
Risk Class Grouping <sup>^</sup>	<ul style="list-style-type: none"> <li>• Preferred: (1/2, 1/3, 1/4, 2/3, 2/4)</li> <li>• Residual: (2/2, 3/3, 4/4)</li> </ul>	<ul style="list-style-type: none"> <li>• N/A: Preferred underwriting indicator of 0</li> </ul>

Actual to Model fit then tested across each attribute or interaction separately and in various combinations (e.g., plan type and face amount band)



\* Analyzed at granular interaction level and with some aggregation of data groups within an interaction

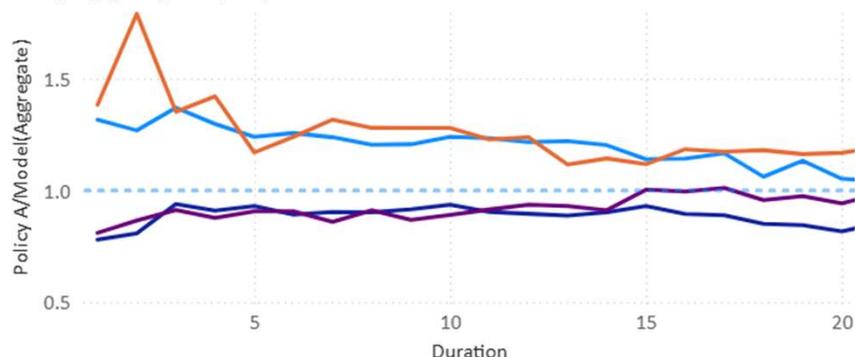
<sup>^</sup> Classes using coding system from VM-51

# Model Fit and Capture of Experience Differential Better when Accounting for Face Amount Band

Actual to Model (Policy) by Duration and Plan\*

Model fit by Gender and Smoking Class

A/E (Aggregate) by Duration and Plan

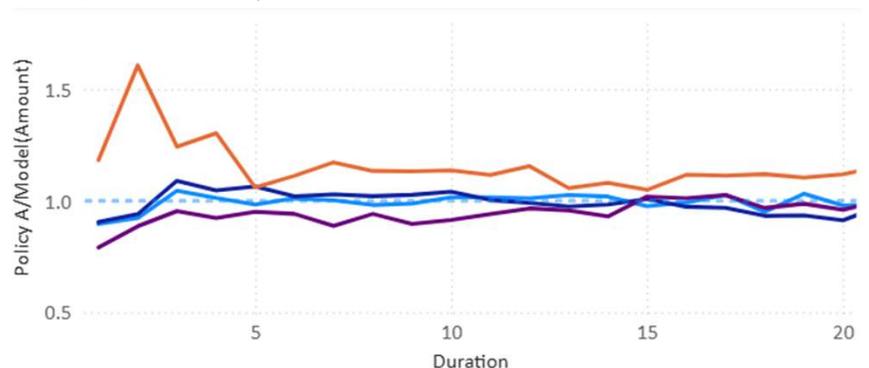


Adding additional attributes or interactions to the model, such as face amount band, helps to explain and drive some of the difference but not all

Actual to Model (Policy) by Duration and Plan\*

Model fit by Gender, Smoking Class, and Face Amount#

A/E (Amount) by Duration and Plan



# Face Amount Band: Term: <\$100k, <250k, <\$500k, \$500k+

Differences seem to drive different fit and patterns between products more prominently than historical experience

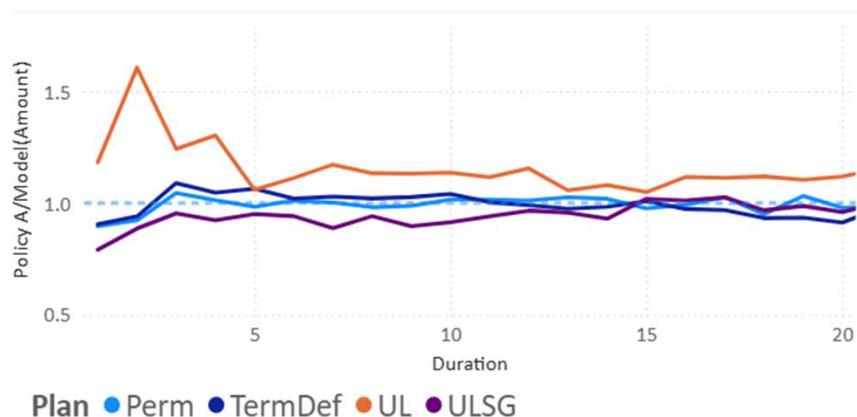
Plan ● Perm ● TermDef ● UL ● ULSG



\* UL includes IUL, VUL, ULSG includes IULSG, VULSG

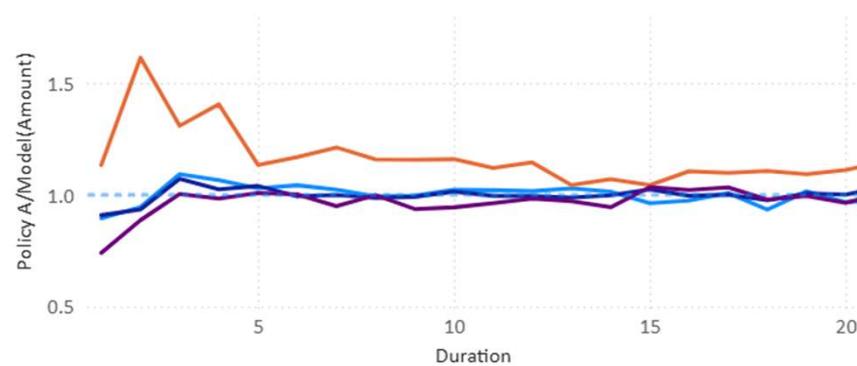
## Model Fit Further Improves when Also Accounting for Plan and Underwriting in Addition to Face Amount Band

Actual to Model (Policy) By Duration and Plan  
 Model fit by Smoker, Gender, and Face Amount Band#  
 A/E (Amount) by Duration and Plan



# Face Amount Band: Term: <\$100k, <\$250k, <\$500k, \$500k+

Actual to Model By Duration and Plan  
 Model fit by Smoker, Gender, Plan Group\*, Face  
 Amount Band^ and Underwriting\*\*



Adding additional attributes or interactions to the model improves the overall fit from Amount Model but still have differences for UL plans

- \* Plan: Term and Non-Term
- ^ Face Amount Band: Term: <\$250k, \$250k+; Non-Term: <\$100k, \$500k+
- \*\* Underwriting: Preferred, Residual, and N/A



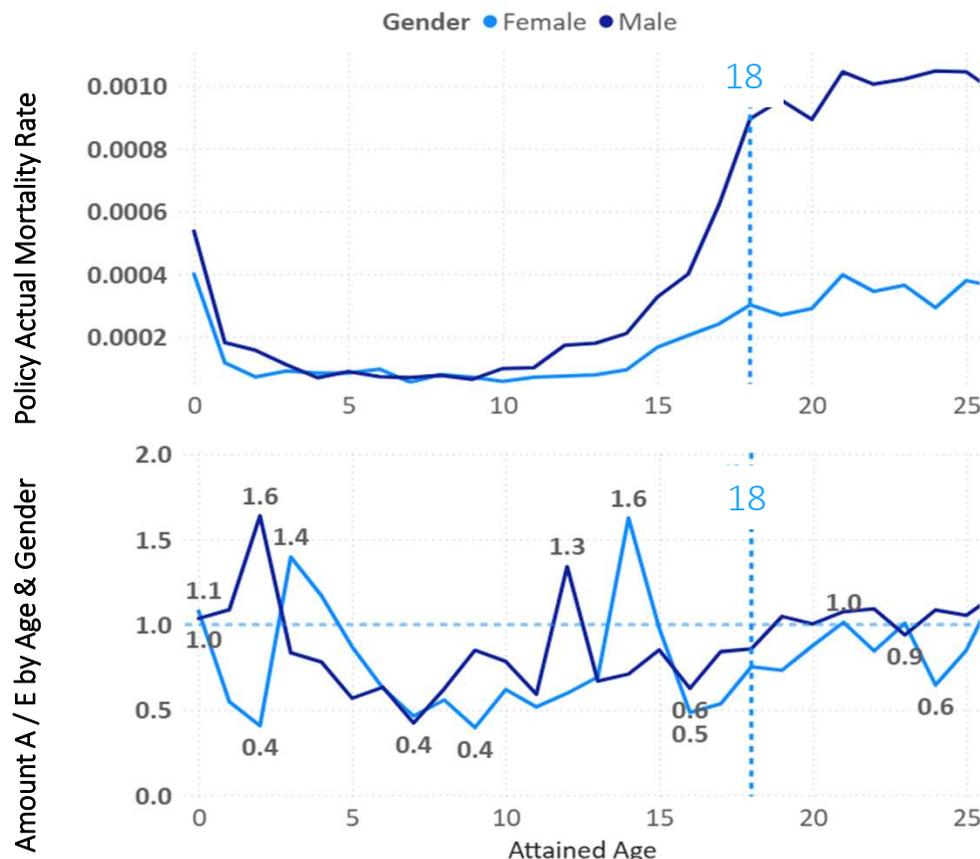


# Juvenile Issue Age Mortality Pattern Creates Challenges with Blending Into a Single Table

## Juvenile Risk Mortality Experience Follows Different Pattern

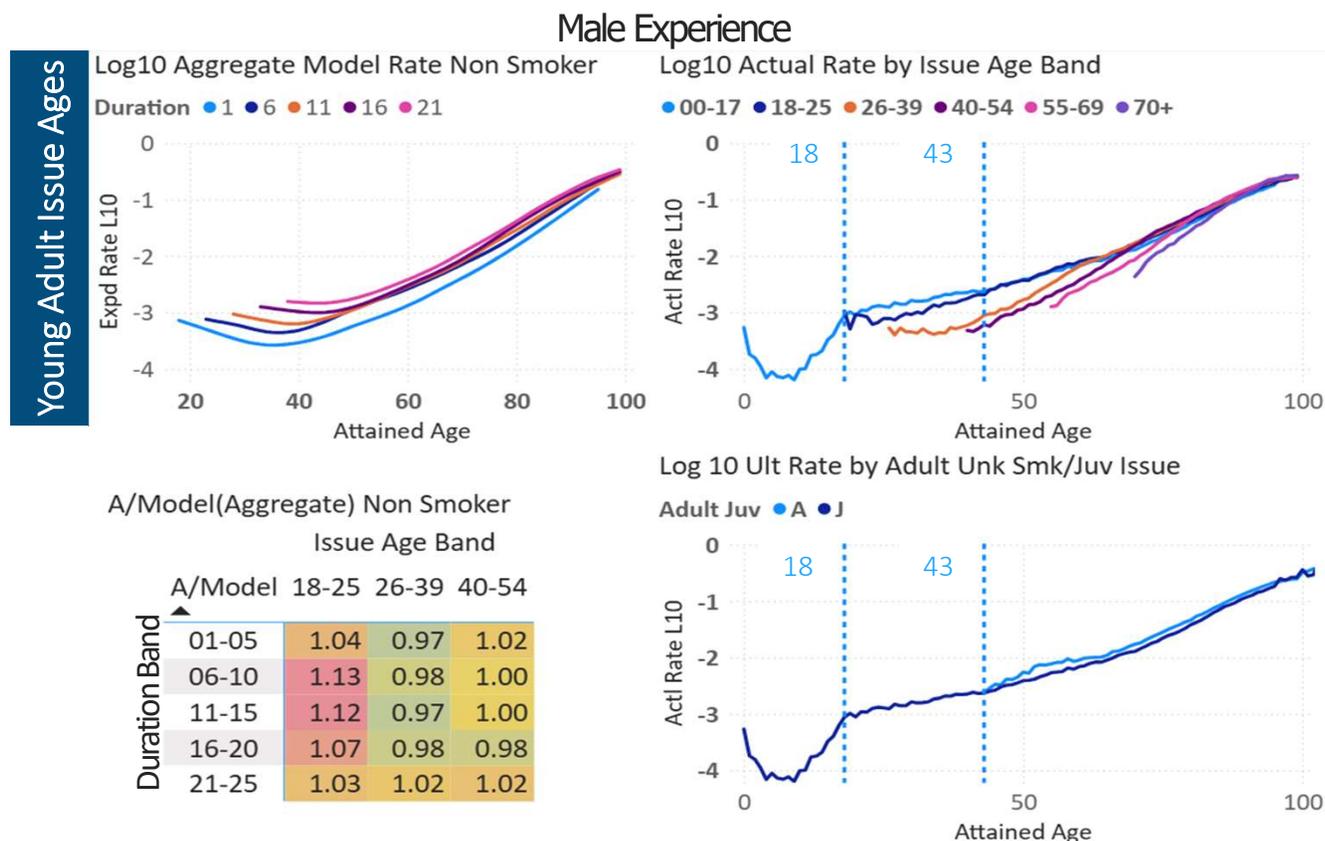
- For the 2015 VBT Table development, blending the juvenile risks to the SN/NS tables resulted in an increase to the earlier issue ages to ensure smoothing, changing the slope and fit of the table
- A/E to VBT is quite volatile suggesting VBT no longer a reasonable fit

Juvenile Issue Ages (0-17)



# Younger Adult and Juvenile Risk Mortality Experience Follows Different Patterns

- Continue to see differences in level and pattern of mortality into the young adult ages (18-25), making monotonicity challenging
- Juvenile risks need more study as do the adult 18-25 issue age grouping





# Key Areas for Input from LATF, Decision Considerations

## Decision 1: Which exposure years to include?

- Prior to 2018, different mix of contributing carriers
- 2020-2023 data just now available to ILEC
- 2020 – 2022 COVID-19 years so recommend excluding
- 2023 - Endemic COVID?
  - How to account for historical experience which is inconsistent with go-forward mortality

### Recommendation:

- Base table on 2018-2019 exposure year data
  - Consistent group of carriers
  - Sufficient data across cells for credibility by age and by duration
- Use 2023 as test table; make adjustments only if necessary

## Level of Granularity Drives Other Considerations

Consideration	More Granular Tables	Model More Consistent with Existing VBT
Fit to more recent experience		
Recognizes long-standing differences in experience by face amount		
Ease of Carrier Implementation – Continues Existing Table Structure		
Incorporates product mix differences – better alignment with carrier mix of business		
RR table and wear-off revisions, possibly structure change as well		
Alignment for younger issue age experience grading to older ages	TBD	TBD
Valuation Manual Section 9.C Changes		
CSO and Tax Considerations, Margins		
Reserve impacts	TBD	TBD



-  Fit with data or similar to existing VBT structure driving easier implementation
-  Less fit with data or may have more complexity to implement
-  Worse fit with data or may require substantive changes to implement

## Decision 2: Guidance and Considerations for Level of Granularity – Separate Tables by Product

### Considerations:

- Mix of business continues to evolve
- Blending from level term period to post level term period
- Still insufficient experience for longer level term periods (e.g., 25-30 years)
- Current (insufficient) data for accelerated underwriting for both term and permanent blocks
- Could result in different select periods between term and permanent plans
- When, if ever, to grade back together

### Recommendation:

- Separate tables between term plans and permanent plans
- No further product splits or differentiation within permanent plan tables

## Decision 3: Guidance and Considerations for Level of Granularity – Separate Tables by Face Amount Band

### Considerations:

- Though historical experience varied by face amount, with much more experience at lower face amounts, LATF has previously not wanted to vary tables by face amount bands
- Experience continues to show significant variation by face amount, especially for permanent plans of business
- Need to define face amount bands
- For interest sensitive plans, implications for face amount changes post issue

### Recommendation:

- Still forming
- Bent to recognize some variation between lower face amounts (e.g., <\$100k and \$100k+)

## Decision 4: Guidance and Considerations for Level of Granularity – Separate Tables by Risk Class Structure

### Considerations:

- Risk class splits vary by duration and product type
  - Limited later duration experience on multiple split basis
- Experience is, to-date, limited and doesn't recognize evolving accelerated underwriting
- Any change to the table structure likely will require substantive changes to the RR tables and possibly structure

### Recommendation:

- Still forming
- Bent to reflect some level of risk class granularity in the tables

## Decision 5: Guidance and Considerations for Level of Granularity – Separate Tables for Juvenile Risks

### Considerations:

- Better alignment with shape of mortality curve by issue age group
- Reduces complexity of blending juvenile issue age underwriting and mortality with fully underwritten business at adult ages
- Adds implementation complexity
- CSO considerations?
- Still have challenge with younger adults (e.g., 25) and monotonicity

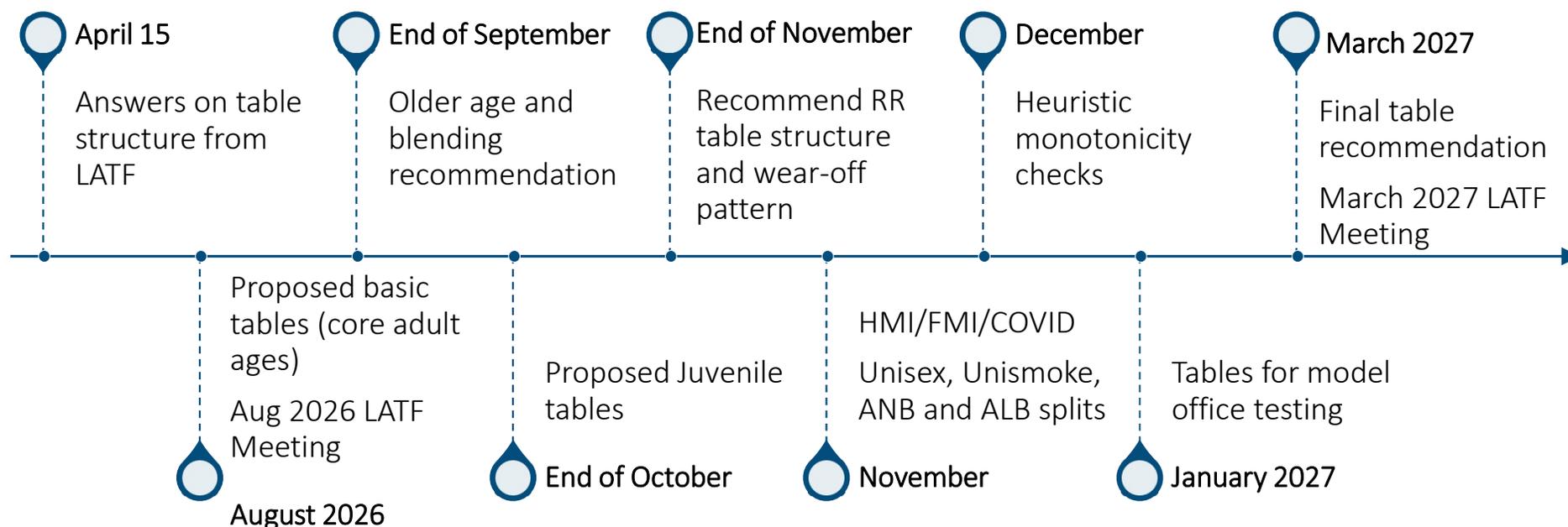
### Recommendation:

- Separate tables for juvenile and adult issue ages
- Still forming recommendation for young adult. Could we violate monotonicity at younger ages?



# Next Steps and Timetable

## Targeted Timetable for Initial Recommendation



This is an aggressive but achievable timeline. It is dependent on a timely feedback loop throughout the process. We would expect periodic updates with LATF / NAIC Life Experience Committee through conference call presentations.

## VBT – Next steps



Develop initial recommendations  
(based on LATF feedback)

- Table structure
- Select period
- Ultimate rates
- Older age mortality/omega rate
- Mortality improvements
- Treatment for COVID
- Preferred wear-off / RR tables



Involve NAIC LATF and LATF's Life Experience  
Committee

- Touchpoints for milestone decisions
- Timing and implications for VM-20



Model office testing



CSO Margin Analysis

## Contact Information

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Chair, Valuation Basic Table Working Group  
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Phillip Adams, FSA, CERA, MAAA  
Senior Experience Studies Actuary  
SOA Research Institute  
[padams@soa.org](mailto:padams@soa.org)





Agenda Item 8  
Consider Formation of a Non-Forfeiture  
Drafting Group

### Questions for Exposure

*Should LATF form a drafting group to consider clarifications to nonforfeiture, including the calculation and amortization of the initial expense allowance for VUL and IUL? Are there other nonforfeiture clarifications that a drafting group should consider?*

Yes, a drafting group may want to consider three other nonforfeiture clarifications.

### Individual Deferred Annuities

In the **Standard Nonforfeiture Law for Individual Deferred Annuities** (MDL-805), Section 4 **Minimum Values**: *The minimum values in Sections 5, 6, 7, 8, and 10 of any paid-up annuity, cash surrender or death benefits available under an annuity contract shall be based upon minimum nonforfeiture amounts as defined in this section.*

In Section 9 **Disclosure of Limited Death Benefits**: *A contract that does not provide cash surrender benefits or does not provide death benefits at least equal to the minimum nonforfeiture amount prior to the commencement of any annuity payments shall include a statement in a prominent place in the contract that such benefits are not provided.*

Section 9 is obsolete when low Minimum Guaranteed Interest Rates (MGIR) are credited on deferred annuities compared to Nonforfeiture Interest Rates. With low MGIRs, it is increasingly likely the Nonforfeiture Value will exceed the Accumulation Value.

Insurers are to check against Nonforfeiture Value for surrender and annuitization, however, a simple sentence “*Accumulation Value paid as a death benefit*” in the contract is enough to count as disclosing a limited death benefit (it also doesn’t look like it is a limited death benefit). Prior to the current lower MGIRs it would not have been as likely as now for the Nonforfeiture Value to exceed the Accumulation Value paid as a Death Benefit.

An edit in Section 9 renamed as **Disclosure of No Cash Surrender Benefits** might work: *A contract that does not provide cash surrender benefits ~~or does not provide death benefits at least equal to the minimum nonforfeiture amount~~ prior to the commencement of any annuity payments shall include a statement in a prominent place in the contract that such benefits are not provided.*

This language also avoids the visualization where someone on their death bed is frantically trying to surrender their deferred annuity for at least the Nonforfeiture Value when, a day later after the person dies, the beneficiary will otherwise receive less than the Nonforfeiture Value.

This should not cost much because the insurer must maintain the ability to pay at least the Cash Surrender Value upon surrender, so they already have that amount reserved, it is just a question of performing the check against the Nonforfeiture Value in all cases except for the very limited situation when there is no Cash Surrender Value.

Numerical example next page.

**Fixed Deferred Annuity Nonforfeiture Example**

Single Premium = 200,000

Credited Interest Rate = 3.50% for 5 years, 1.00% thereafter.

Nonforfeiture Interest Rate = 3.00% for all years (actual rate may vary from 0.15% to 3.00%)

Nonforfeiture Value assumes a 12.5% initial load and an annual fee of 50.

Annuity has no MVA and no free withdrawal during the surrender charge period.

EOY	Credited Interest	AV	SC	CSV	GMSV@3.00%	Max (0, GMSV – CSV)
1	3.5%	207,000	8%	190,440	180,199	0
2	3.5%	214,245	7%	199,248	185,553	0
3	3.5%	221,744	6%	208,439	191,068	0
4	3.5%	229,505	5%	218,029	196,749	0
5	3.5%	237,537	4%	228,036	202,600	0
6	1.0%	239,913		239,913	208,626	0
7	1.0%	242,312		242,312	214,833	0
8	1.0%	244,735		244,735	221,227	0
9	1.0%	247,182		247,182	227,812	0
10	1.0%	249,654		249,654	234,595	0
11	1.0%	252,151		252,151	241,581	0
12	1.0%	254,672		254,672	248,777	0
13	1.0%	257,219		257,219	256,189	0
14	1.0%	259,791		259,791	263,823	4,032
15	1.0%	262,389		262,389	271,686	9,298
16	1.0%	265,013		265,013	279,786	14,773
17	1.0%	267,663		267,663	288,128	20,465
18	1.0%	270,340		270,340	296,720	26,380
19	1.0%	273,043		273,043	305,570	32,527
20	1.0%	275,773		275,773	314,686	38,912

Death Benefit = Accumulation Value is less than Nonforfeiture Value by end of the 14<sup>th</sup> year.

At the end of the 20<sup>th</sup> year:

1. If Death Benefit = Accumulated Value, the amount paid on death is 275,773.
2. Nonforfeiture Value = 314,686.
3. 38,912 (= 314,686 - 275,773) less is collected as a death benefit than as a surrender benefit.

With the suggested language, 314,686 would be paid then upon either surrender or death.

It is easy to create examples with different credited rates and Nonforfeiture Rates that will all show the same effect where Nonforfeiture Value eventually exceeds Accumulation Value.

### Indexed Nonforfeiture Interest Rate

In the ***Standard Nonforfeiture Law for Individual Deferred Annuities (MDL-805)***, Section 4 ***Minimum Values***, paragraphs C and D, the Indexed Nonforfeiture Interest Rate is 100 basis points lower than the Fixed Nonforfeiture Interest Rate calculated in paragraphs A and B. The term “equity index” is obsolete and has been replaced by “fixed indexed”; there are larger issues.

First, it may have made some sense originally for a 2.00% Indexed Nonforfeiture Interest Rate when the Fixed Nonforfeiture Interest Rate was permanently fixed at 3.00%. This has not been the case for decades and the current range for the Fixed Nonforfeiture Interest Rate is 0.15% to 3.00%. The variability in the Fixed Nonforfeiture Interest Rate has made the concept of an Indexed Nonforfeiture Interest Rate obsolete.

Second, experience with Fixed Indexed Annuities (FIA) has reached the point where it is obvious that these products should have the same Nonforfeiture Interest Rate as Fixed Annuities. The regular Nonforfeiture Interest Rate is defined in paragraphs A and B, and that same rate can be used for any FIA.

The suggestion is to eliminate paragraphs 4.C and 4.D and add any language necessary to indicate that FIAs are required to use the Fixed Nonforfeiture Interest Rate. The current usage of paragraphs 4.C and 4.D is undoubtedly inconsistent across insurers, products, and states.

### Whole Life Insurance

The main issue that has arisen is that many actuaries believe a nonforfeiture option other than Cash Surrender Value (CSV) must be offered for whole life insurance because of the language in the ***Standard Nonforfeiture Law for Life Insurance (MDL-808)***, Section 2 ***Nonforfeiture Benefits***. This handicaps whole life insurance in comparison to all the flavors of UL, where it is CSV only.

For whole life there are product designs where it would be beneficial to offer CSV only in earlier policy durations, for example, for the first n policy years, where n might be 2-10. This is generally not done because the various paragraphs A–F are interpreted as a company being required to offer CSV whenever positive plus at least one “paid-up nonforfeiture benefit”.

*The reality is offering CSV when positive is required and any other paid-up nonforfeiture benefit is optional.* In this context, “paid-up nonforfeiture benefits” just means no more premium is due. The phrase does not mean “reduced paid-up (RPU) nonforfeiture benefits”. The only required benefit is CSV; anything else is optional under criteria controlled by the insurer through policy language or company practice.

Sometimes insurers don’t specify an RPU Minimum Face Amount. This is the face amount threshold that must be met after the policy goes to RPU and if not, then RPU is not available. While most of this is insurer-driven by how they manage the RPU nonforfeiture option in policy forms or by company practice, there is one aspect that may be applicable to regulators. It can be argued that the regulators should not allow an RPU of less than a face amount of 1,000 because

that is generally the smallest original issue amount for ordinary life insurance (I would not suggest a lower amount for the few remaining sales of Industrial Life and set a similar 1,000 minimum for this purpose). In other words, if a company were not allowed to originally issue a policy with a face amount below this minimal amount, then it should not be allowed to offer an RPU face amount below this amount either.

There is also a consumer-expectation reason not to allow an insurer to allow RPU below 1,000. It is insulting to a beneficiary to receive a death benefit of a tiny amount like 10-20 (that's dollars, not thousands of dollars), just because the policy went to RPU shortly after there was a positive CSV. It is much more palatable to that beneficiary for a 1,000 minimum RPU face amount, so the beneficiary would receive a check for at least 1,000. If the RPU face amount is below the specified industry-wide minimum level at the point of premium cessation, then RPU is not available for that policy (another nonforfeiture option or CSV would be chosen). Any insurer might set a higher RPU Minimum Face Amount. It would still be good to set a regulatory minimum for this minimal amount in case the insurer hasn't, to avoid this situation of an extremely small death benefit paid. Set a higher RPU Minimum Face Amount that would apply industry-wide if desired but set something. The death benefit should help pay for something and below 1,000 it really is arguably not paying for much of anything.

The Standard Nonforfeiture Law for Life Insurance should make it clear the CSV when positive is required and anything else offered as a nonforfeiture option is subject to insurer criteria for its availability. Consequently, paragraphs A-F should be reorganized and rewritten to make it clear what an insurer is required to offer and what is optional.

<b>Nonforfeiture Option</b>	<b>Criteria</b>
Cash Surrender Value (CSV)	Always available when positive
Extended Term Insurance (ETI)	Usually default nonforfeiture option available when CSV is positive; Insurer may establish other criteria
Reduced Paid-Up (RPU)	Regulatory minimum of 1,000; Insurer may set a higher RPU minimum face amount; Insurer may establish other criteria
Automatic Premium Loan (APL)	Available as long as CSV remains positive; policy lapses without value if CSV reaches zero

Example Nonforfeiture Plan for premium paying (including limited pay) whole life policies:

1. CSV is available when positive.
  - a. After a policy is fully paid up, CSV the only available option
  - b. CSV may be requested even after ETI or RPU have occurred
2. ETI is available when CSV is positive and the ETI period is at least 365 days.
  - a. Default nonforfeiture option when no other option is chosen
3. RPU is only available upon specific request and only if:
  - a. The policy has been in force for 7 complete years; and,
  - b. The RPU Minimum Face Amount is 10,000

*Note: Example is meant to help visualize. It does not reflect any specific insurer's plan.*

March 9, 2026

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

Re: Question Exposed for Comment Until March 12, 2026

Dear Chair Hemphill:

On behalf of the Life Products Committee of the American Academy of Actuaries,<sup>1</sup> we appreciate the opportunity to provide comments to LATF's February 27, 2026, exposure of the following question:

Should LATF form a drafting group to consider clarifications to nonforfeiture, including the calculation and amortization of the initial expense allowance for VUL and IUL? Are there other nonforfeiture clarifications that a drafting group should consider?

We support the formation of a drafting group to consider prospective clarifications to nonforfeiture requirements including the calculation and amortization of the initial expense allowance for Universal Life, Indexed Universal Life and Variable Universal Life.

The Life Products Committee looks forward to working with the Life Actuarial Task Force on these issues in the future.

If you have any questions or would like to discuss these comments further, please contact [Amanda Barry-Moilanen](mailto:Amanda.Barry-Moilanen@actuary.org) at [barrymoilanen@actuary.org](mailto:barrymoilanen@actuary.org), the Academy's life policy project manager.

Sincerely,

Donna Megregian  
Chairperson, Life Products Committee  
American Academy of Actuaries

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<sup>1</sup> 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.



[Brian Bayerle](#)

Chief Life Actuary  
202-624-2169

March 12, 2026

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

Re: LATF Exposure Question on Nonforfeiture Clarifications

Dear Chair Hemphill:

Thank you for exposing the question regarding whether LATF should form a drafting group to consider clarifications to nonforfeiture for Variable Universal Life and Indexed Universal Life. We appreciate the opportunity for further dialogue on these issues.

ACLI and its members would be supportive of forming a drafting group with a narrow and well-defined scope, consistent with the concerns and considerations outlined in our February 17<sup>th</sup> letter.

To the extent additional, closely related nonforfeiture clarifications are identified as necessary to ensure consistent interpretation and application, we would also support their consideration within a similarly limited scope. ACLI stands ready to work collaboratively with regulators to help ensure any clarifications are targeted, technically sound, and aligned with existing statutory and regulatory frameworks.

We thank you again for your consideration of these issues and ACLI looks forward to additional discussion of this topic.

Sincerely,

cc: Scott O'Neal, NAIC

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.

Dear Chairs, Hemphill and Chupp,

I'd like to offer the following comments on the question whether LATF should form a drafting group to consider clarifications to nonforfeiture, including the calculation and amortization of the initial expense allowance for VUL and IUL?

I believe that it would be useful and beneficiary to create such a drafting group. The existing model laws were adopted many years ago in a different environment. The marketplace and the products evolved. And the language in the models lacks sufficient precision to allow for unambiguous interpretation.

Below are several issues that could benefit from clarification.

Section 6 of Model 585 (Universal Life Insurance Model Regulation) refers to the initial expense allowance provided by Section 5 of the Standard Nonforfeiture Law for Life Insurance (Model 808). That model allows the allowance to be calculated "on the basis of a rate of interest not exceeding the nonforfeiture interest rate".

Model 808 outlines the calculation for a life insurance policy with specified premiums and guaranteed benefits. For such products, use of an interest rate lower than the nonforfeiture interest rate, results in higher nonforfeiture values. The model is defining minimum values. It would appear that it could have defined them using the nonforfeiture interest rate. Nonforfeiture values resulting from using lower interest rates would be higher, and thus, meeting the requirements. I'm not sure what considerations led to the choice of the model language. Possibly had to do with federal regulations and/or tax treatment.

In the context of the Model 585, use of a lower interest rate results in a larger initial expense allowance, and lower nonforfeiture values. This in itself appears counter to the idea of the law establishing minimum values.

Model 585 provides that the unused initial expense allowance be amortized using interest rate guaranteed in the policy. It isn't clear what the term "interest rate guaranteed in the policy" should mean for index sub-accounts.

One may be tempted to equate it to the minimum crediting rate for the account, but this may not be the best interpretation. What happens if there are index strategy charges? Should the guaranteed interest rate reflect those charges? Suppose the policyholder has a choice of a strategy with a floor of 1% and 50% participation rate and one with a floor of 0%

and 75% participation rate. Assuming both strategies cost the insurer the same, should the guaranteed rate be 0% or 1%?

Model 270, Variable Life Insurance Model Regulation, also points to Model 808, and uses the term "assumed investment return" not to exceed the nonforfeiture interest rate. Commentary to the model appears to link the "assumed investment return" to the illustrated rate.

The commentary includes the following:

"A low assumed investment rate will increase the net premium while simultaneously increasing the likelihood that the net investment return will exceed the assumed investment rate."

and

"The Subcommittee was concerned with the possibility that excessive assumed investment rates could be deceptive in suggesting unrealistic policyholder expectations, and could impinge adversely on the insurer's solvency."

Actuarial Guideline 24, Guidelines For Variable Life Nonforfeiture Values, does not help much either. It defines a Valuation Rate, but the definition could be read two different ways. Valuation Rate is used to amortize the unused initial expense allowance. The guideline refers to "the highest valuation interest rate allowed under the Standard Nonforfeiture Law". It isn't clear if it is meant to mean valuation rate or nonforfeiture rate.

Models 585 and 270, and AG 24, all point to the initial expense allowance in Model 808 and all address the amortization of the unused initial expense allowance. It would make sense to review them and to provide a clear guidance consistent with the intent of nonforfeiture law.

Sincerely,

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**Tomasz Serbinowski**

**, Actuary**

Utah Insurance Department

4315 S. 2700 West, Ste. 2300 | Salt Lake City, UT 84129

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We believe LATF should draft guidance for nonforfeiture standards on IUL, VUL, and the amortization of the initial unused expense allowance on UL. Whether or not it was intentional, these have been seen by some as ambiguous, i.e., in the UL Model Reg. This justifies making the guidance prospective.

Clarification of these items could be helpful to state regulators and industry actuaries as well as the IIPRC.

Sincerely,



\_\_\_\_\_ David J. Hippen, FSA, MAAA, FLMI

Life and Health Actuary

Washington State Office of the Insurance Commissioner

360.725.7136 (office)

david.hippen@oic.wa.gov

## Agenda Item 9

Consider Exposure of APF 2026-01 (Pension Risk  
Transfer Reinvestment Guardrail) and Discuss  
Principles Developed by the American Academy of  
Actuaries (Academy)

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.  
  
Seong-min Eom, Chief Actuary, Life and Health, New Jersey Department of Banking and Insurance  
  
VM-22 principle-based reserving (PBR) for non-variable annuities
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, 2026, NAIC Valuation Manual  
  
VM-22 Sections 3.F and 4.D; VM-31 Section 3.F
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.)  
  
Regulators and the industry have worked constructively over the past several years in developing reserve requirements that help ensure policyholders are protected and are commensurate with the features and risks inherent in the business. While considerable progress has been made, the industry has expressed concerns with the prescribed investment guidelines within the framework that it believes embed “non-economic” conservatism and will inflate reserve requirements beyond an appropriate level of conservatism.  
  
Based on these views, it appears that the industry will continue to pursue measures, such as asset-intensive reinsurance (including cross-border reinsurance), that enable it to increase alignment between regulatory requirements and their “economic” assessment of risks, and therefore sometimes significantly reducing the total assets available to fund policyholder demands. Such arrangements may also reduce transparency for both the direct writer and the regulator of the direct writer of the business.  
  
While work on VM-22 is at an advanced stage, it is important for regulators and the NAIC to step back and objectively consider if the proposed updates will deliver the outcomes the NAIC is hoping to achieve. New Jersey believes further updates should be pursued and with this context in mind, please see the proposed amendments to VM-22 below. The proposal would enable an insurer to establish reserves for Pension Risk Transfer Annuities (which is one of the more significant blocks subject to asset-intensive reinsurance) based on a calculation that considers the illiquidity of the business and other unique factors. The reserve would consider a liquidity premium in the company’s modeled company strategy subject to a guardrail more closely aligned with the average industry investment portfolio and above investment grade credit ratings. Appointed Actuaries would need to justify company asset and reinvestment assumptions within VM-31.

\* This form is not intended for minor corrections, such as formatting, grammar, cross-references or spelling. Those types of changes do not require action by the entire group and may be submitted via letter or email to the NAIC staff support person for the NAIC group where the document originated.

**NAIC Staff Comments:**

<b>Dates:</b> Received	Reviewed by Staff	Distributed	Considered
2/24/26	S.O.		
<b>Notes:</b> 2026-01			

VM-22 Section 3.F

2. The Payout Annuity Reserving Category and Accumulation Reserving Category may be aggregated only if they meet the following criteria:

- a. The company manages the risks of the contracts within both categories in an integrated risk management process.
- b. The contracts within both categories are managed within a single portfolio, or portfolios with the same ALM strategy.

3. For the purposes of calculating stochastic reserves, the stochastic exclusion test, and determining the final VM-22 reserves, groups of contracts for which the company calculates a DR, pursuant to the requirements in Section 7.E, shall not be aggregated with any groups of contracts that do not calculate a DR.

4. The reserve may be determined in aggregate across various groups of contracts within each Reserving Category, or within the combined Accumulation and Payout reserving categories following Section 3.F.2, as a single model segment when determining the SR or DR, with the following exception:

Pension Risk Transfer Annuities utilize different spread, default, and investment strategy assumptions than other products as described in Sections 4.D.3 and 4.D.4. If aggregating Pension Risk Transfer Annuities with other products, then the Pension Risk Transfer Annuities cannot be in the same model segment as other products.5. To the extent that aggregation results in more than one model segment, the aggregate reserve for each reserving category, or within the combined Accumulation and Payout reserving categories following Section 3.F.2, shall be calculated as follows:

- a. If the company uses the NAER method described in Section 4.B.1.a:
  - i. Project the accumulated deficiencies as described in Section 4.A and take the present value using the NAER as described in Section 4.B.2 for each model segment.
  - ii. Combine the present values for each model segment and take the greatest present value in aggregate for each scenario. The aggregate scenario reserve shall equal the sum of the initial assets of each model segment and the greatest present value of the aggregated deficiencies, less the aggregate PIMR. The resulting aggregate scenario reserve for a given scenario shall not be less than the aggregate cash surrender value on the valuation date.
  - iii. Calculate the CTE (70) of the aggregate scenario reserves
- b. If the company uses the direct iteration method described in Section 4.B.1.b:

- i. Calculate the starting amount of assets as described in Section 4.B.1.b for each scenario of each model segment.
  - ii. Add the starting amount of assets of each scenario for all model segments together and subtract the aggregate PIMR. The resulting aggregate scenario reserve for a given scenario shall not be less than the aggregate cash surrender value on the valuation date.
  - iii. Calculate the CTE (70) of the aggregate scenario reserves.
- c. The benefit of aggregation and how it is allocated across multiple model segments within a reserving category and/or across reserving categories, pursuant to Section 3.F.2, shall be disclosed in VM-31

#### VM-22 Section 4.D.3

- a. General account assets shall be projected, net of projected defaults, using assumed investment returns consistent with their book value and expected to be realized in future periods as of the date of valuation. Initial assets that mature during the projection and positive cash flows projected for future periods shall be invested in a manner that is representative of and consistent with the company's investment policy, subject to the following requirements:
  - i. The final maturities and cash flow structures of assets purchased in the model, such as the patterns of gross investment income and principal repayments or a fixed or floating rate interest basis, shall be determined by the company as part of the model representation;
  - ii. The combination of price and structure for fixed income investments and derivative instruments associated with fixed income investments shall appropriately reflect the projected Treasury Department curve along the relevant scenario and the requirements for gross asset spread assumptions stated below;
  - iii. For purchases of public non-callable corporate bonds, follow the requirements defined in VM-20 Sections 7.E, 7.F and 9.F for products other than Pension Risk Transfer Annuities. The prescribed spreads reflect current market conditions as of the model start date and grade to long-term conditions based on historical data at the start of projection year four; For Pension Risk Transfer Annuities reflect an additional liquidity premium of up to 50 bps, as determined by the appointed actuary based on a moderately adverse assumption and describe the assumption in VM-31;
  - iv. For transactions of derivative instruments associated with fixed income investments, reflect the prescribed assumptions in VM-20 Section 9.F for interest rate swap spreads for products other than Pension Risk Transfer Annuities. For Pension Risk Transfer reflect an additional liquidity premium of up to 50 bps, as determined by the appointed actuary based on a moderately adverse assumption and describe the assumption in VM-31;
  - v. For purchases of other fixed income investments, if included in modeled company investment strategy, set assumed gross asset spreads over U.S. Treasuries in a manner that is consistent with, and results in reasonable relationships to, the ~~prescribed~~ spreads described in items iii and iv above for public non-callable corporate bonds and interest rate swaps.
- b. Notwithstanding the above requirements, the aggregate reserve shall be the higher of that produced by the modeled company investment strategy and that produced by substituting an alternative investment strategy in which the fixed income reinvestment assets have the same weighted average life (WAL) as the reinvestment assets in the modeled company investment strategy and are all public non-callable corporate bonds with gross asset spreads, asset default costs, and investment expenses by projection year that are consistent with a credit quality blend of at least:

- i. 5% Treasury
- ii. 15% PBR credit rating 3 (Aa2/AA)
- iii. 80% PBR credit rating 6 (A2/A)

for products other than Pension Risk Transfer Annuities.

For Pension Risk Transfer Annuities, the alternative investment strategy reflects the prescribed spreads and defaults in VM-20 Section 9.F for 100% PBR credit rating 9 (Baa2/BBB) plus a spread increase of 0.50% to account for illiquidity spreads above BBB public non-callable corporate bonds and for default assumptions different from prescribed VM-20 defaults. Describe the portion of company spread assumptions attributable to illiquidity risk and the default assumptions in VM-31.

- c. Any disinvestment shall be modeled in a manner that is consistent with the company's investment policy and that reflects the company's cost of borrowing where applicable, provided that the assumed cost of borrowing is not lower than the rate at which positive cash flows are reinvested in the same time period, taking into account duration, ratings, and other attributes of the borrowing mechanism. Gross asset spreads used in computing market values of assets sold in the model shall be consistent with, but not necessarily the same as, the gross asset spreads in Section 4.D.3.a.iii and Section 4.D.3.a.v, recognizing that initial assets that mature during the projection may have different characteristics than modeled reinvestment assets.

#### Section 4.D.4

- a. Cash flows from general account fixed income assets, including starting and reinvestment assets, shall be reflected in the projection as follows:
  - i. Model gross investment income and principal repayments in accordance with the contractual provisions of each asset and in a manner consistent with each scenario. For Pension Risk Transfer Annuities reflect an additional liquidity premium of up to 50 bps, as determined by the appointed actuary based on a moderately adverse assumption and describe the assumption in VM-31.
  - ii. Reflect asset default costs as prescribed in VM-20 Section 9.F, and anticipated investment expenses through deductions to the gross investment income. For Pension Risk Transfer Annuities starting assets set the maximum net spread adjustment factor to reflect an additional liquidity premium of 50 bps.
  - iii. Model the proceeds arising from modeled asset sales and determine the portion representing any realized capital gains and losses.
  - iv. Reflect any uncertainty in the timing and amounts of asset cash flows related to the paths of interest rates, equity returns or other economic values directly in the projection of asset cash flows. Asset defaults are not subject to this requirement, since asset default assumptions must be determined by the prescribed method as noted in Section 4.D.4.a.ii above.

#### VM-31 Section 3.F.6

6. General Account Assets – The following information regarding the general account asset assumptions used by the company in performing a principle-based valuation under VM-21 or VM-22:

- a. Modeled Company Investment Strategy and Reinvestment Assumptions – Description of the modeled company investment strategy (before the comparison to the alternative investment strategy), including asset reinvestment and disinvestment assumptions, and documentation supporting the appropriateness of the modeled company investment strategy compared to the actual investment policy of the company.

b. Alternative Investment Strategy – Documentation demonstrating compliance with VM-21 Section 4.D.4.b or VM-22 Section 4.D.3.b showing that the SR is the higher of that produced using the modeled company investment strategy and the alternative investment strategy

c. Grouping of Equity Investments – Description of the approach and rationale used to group general account equity investments.

d. Prepayment, Call and Put Functions – Description of any prepayment, call and put functions

e. Investment Expenses – Description of the investment expense assumptions

f. Spreads – Description of the increase to spread assumptions, including the portion of the spread assumption increase attributable to illiquidity and other types of risk, and the portion attributable to default assumptions different from prescribed defaults, and the interest rate swap spread assumptions



March 11, 2026

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

Re: Principles for applying an Illiquidity Spread in PBR calculations

Dear Chair Hemphill:

On behalf of the Annuity Reserves and Capital Subcommittee (ARCS) of the American Academy of Actuaries,<sup>1</sup> I appreciate the opportunity to respond to LATF's Feb. 5 request of the Academy to provide principles that can be used in determining an appropriate illiquidity spread in any Pension-Risk Transfer (PRT) guardrail that may be introduced to the Valuation Manual (VM).

### **Scope of Proposal**

The ARCS believes that a principles-based view of a potential illiquidity spread must be considered holistically across the VM, as opposed to only PRT. Additionally, the ARCS believes that the principles discussed below should not necessarily be limited only to a certain product type or category but should instead be applied based on the underlying asset portfolio and liability characteristics.

The VM currently applies restrictions on assets that may have higher net spreads due to embedded illiquidity premium in two ways. First, the net spread adjustment is applied on in force assets when the net spread exceeds a regulatory threshold (net spread on a BBB public noncallable bond). Second, net yields on reinvestment assets are constrained to a fixed income guardrail that contains only public noncallable bonds and Treasuries of a specified credit quality. With respect to both in force and reinvestment assets, some companies for some products may allocate to less liquid or illiquid assets that result in higher net spreads in their ALM practice. Subject to the principles laid out below, the ARCS believes that it would be appropriate to reflect some portion of the illiquidity premia principles to both in force and reinvestment assets subject to an appropriate margin consistent with the reserve objective level.

### **Principles**

The ARCS has drafted the following principles to evaluate what portion of illiquidity premium could be appropriate to recognize in either the in force net spread calculation and/or reinvestment assumptions. These principles are not opining on potential caps, floors, or other restrictions.

Principle 1—The objective of applying an additional illiquidity premium is to reflect the underlying characteristics of the assets and liabilities of certain types of business where both 1) the underlying liability is either fixed or exhibits a limited range of variability across a range of moderately adverse economic scenarios, and 2) the liability is supported by assets that are less liquid than public noncallable corporate

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<sup>1</sup> 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 more than 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.

bonds. In order for any portion of the illiquidity premium to be recognized, both criteria should be met. Not all portfolios and Asset Liability Management (ALM) strategies backing liabilities, either fixed or those exhibiting a limited range of variability, will ultimately calculate an illiquidity premium greater than zero according to these principles.

Principle 2—We believe that the illiquidity premium should be evaluated and applied at a granular level. Assets should be grouped for purposes of determining and applying the illiquidity premium only when their cashflows, market values, and responsiveness to economic scenarios are expected to be substantially similar within the grouping. For structured securities, assets should be grouped for illiquidity premium purposes only when the underlying collateral and the characteristics of the investment structure are sufficiently homogeneous.

Principle 3—Less liquid and illiquid assets may have more complex risk profiles, including sensitivity to economic factors not modeled directly in the GOES scenarios. In some cases, the liquidity premium may exist as a result of the complexity of the assets. It is appropriate to recognize and calculate an illiquidity premium only 1) when a company has a process in place to identify and monitor the risk factors to which the asset class is exposed, 2) when the company models within the PBR model those risks identified as material by the aforementioned monitoring process, 3) when such modeling is performed at a sufficient level of granularity to capture the material risk factors that impact the cashflows and market values of the less liquid or illiquid assets, and 4) when the liquidity needs (e.g., the need for posting of initial margin or variation margin) of the company's hedging strategies and other ALM practices associated with the less liquid or illiquid assets are also reflected in the PBR model.

For structured securities, modeling should capture the economic dynamics and risk factors that impact both the underlying collateral and the structured security itself.

Principle 4—If the illiquidity premium is a fixed amount used across all scenarios, when performing the calculation for the liquidity premium, a company should be able to justify the value over a range of moderately adverse scenarios.

Principle 5—Using a flat illiquidity premium for an entire class of assets across all economic scenarios would not necessarily be appropriately granular to comport with these principles, unless the amount of the premium is sufficiently conservative as to be expected to exist across a range of moderately adverse economic scenarios.

Principle 6—The calculation of the illiquidity premium shall only be performed for assets that have a sufficient volume of available historical data. Where possible, the historical data used should cover multiple economic cycles, including periods of stress for the asset class. Where historical data for the asset class does not include periods of stress, the illiquidity premium should consider potential outcomes over a range of moderately adverse scenarios when contractual principal and/or interest payments may be delayed or may not be paid at all.

For recognition of the illiquidity premium for reinvestment purposes, the asset class should also have a high likelihood of future availability over the reinvestment horizon appropriate to the liability (e.g., over a X-year period for a liability for which [a high %] of the total reinvestment activity is required during the first X years). To the extent there is doubt about the availability or illiquidity premium that may exist on the reinvestment assets in future periods, it may be appropriate to haircut the amount of illiquidity premium recognized or to apply it only over a limited horizon.

The relevant data and analysis used to develop the illiquidity premium assumptions for each applicable asset class should be disclosed in the VM-31 report.

Principle 7—The calculation of the illiquidity premium shall be done on a net spread basis and should account for differences in defaults and investment expenses in order to justify the additional net spread on top of public noncallable bonds in the fixed income reinvestment guardrail. For structured securities, care should be applied to ensure that all fees and expenses across both the underlying collateral and the structure itself are appropriately considered in the modeling.

These principles can be included as a new VM-22 section 12.E.

Thank you for your consideration of these comments. Please contact Amanda Barry-Moilanen ([barrymoilanen@actuary.org](mailto:barrymoilanen@actuary.org)), the Academy's policy project manager, life, with any questions on this comment letter.

Sincerely,  
Bruce Friedland, MAAA, FSA  
Chairperson, Annuity Reserves and Capital Subcommittee  
American Academy of Actuaries

## Agenda Item 10

Consider Exposure of APF 2026-02 Interest Maintenance  
Reserve (IMR) Reference Consistency

**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:**

Rachel Hemphill, Texas Department of Insurance

**Title of the Issue:**

Update VM-21 and VM-22 references to reflect IMR being attributed to a group of policies or contracts, not a group of assets.

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, VM-21 Sections 4.A.7 and 4.D.1 and VM-22 Sections 4.A.1 and 4.D.1.iii

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.)

VM-21 and VM-22 refer to the IMR to be reflected as “attributable to the assets selected”.

VM-20, in contrast, refers to the IMR as being allocated to the model segment (e.g., see VM-20 Sections 4.A.1, 5.F, 7.D.7) with references such as “less the positive or negative PIMR balance at the valuation date allocated to the group of one or more policies being modeled”.

VM-20 also contains guidance on the allocation of IMR, while VM-21 and VM-22 do not.

This APF is to make VM-21 and VM-22 consistent with VM-20, and to add the guidance existing in VM-20 to VM-21 and VM-22. This will make it clear that the allocation of IMR is to the model segment, reflecting the policies or contracts.

Dates: Received	Reviewed by Staff	Distributed	Considered
<b>Notes:</b>			

#### VM-21 Section 4.A.7

##### 7. Interest Maintenance Reserve (IMR)

The IMR shall be handled consistently with the treatment in the company's cash-flow testing, and the amounts should be adjusted to a pre-tax basis. The determination of the PIMR allocation is subject to the following:

- a. The amount of PIMR allocable to each model segment is the approximate statutory interest maintenance reserve liability that would have developed for the model segment, assuming applicable capital gains taxes are excluded. The allocable PIMR may be either positive or negative.
- b. In performing the allocation to each model segment, any portion of the total company IMR balance that is not admitted under statutory accounting procedures shall first be removed. The company shall use a reasonable approach to allocate the total company balance, after removing any non-admitted portion thereof, between PBR and non-PBR business and then allocate the PBR portion among model segments in an equitable fashion. Any negative IMR that is admitted must be fully allocated by line of business and cannot be allocated to surplus. In the case of negative PIMR, since a negative amount is being added when determining the starting asset amount, the amount of starting assets is reduced by the absolute value of the allocated amount of negative PIMR and the absolute value of the allocated amount of negative PIMR is then added in as the final step in calculating the scenario reserves.
- c. The company may use a simplified approach to allocate the PIMR, if the impact of the PIMR on the minimum reserve is minimal.

#### VM-21, Section 4.D.1

##### D. Projection of Assets

###### 1. Starting Asset Amount

a. For the projections of accumulated deficiencies, the value of assets at the start of the projection shall be set equal to the approximate value of statutory reserves at the start of the projection plus the allocated amount of PIMR attributable to the assets selected. Assets shall be valued consistently with their annual statement values. The amount of such asset values shall equal the sum of the following items, all as of the start of the projection:

- i. All of the separate account assets supporting the contracts;
- ii. Any hedge instruments held in support of the contracts being valued; and
- iii. An amount of assets held in the general account equal to the approximate value of statutory reserves as of the start of the projections plus the allocated amount of PIMR attributable to the contracts being valued, less the amount in (i) and (ii).

Deleted: assets selected

**VM-22 Section 4.A.7**

7. Interest Maintenance Reserve (IMR)

The IMR shall be handled consistently with the treatment in the company's cash flow testing, and the amounts should be adjusted to a pre-tax basis. The determination of the PIMR allocation is subject to the following:

- d. The amount of PIMR allocable to each model segment is the approximate statutory interest maintenance reserve liability that would have developed for the model segment, assuming applicable capital gains taxes are excluded. The allocable PIMR may be either positive or negative.
- e. In performing the allocation to each model segment, any portion of the total company IMR balance that is not admitted under statutory accounting procedures shall first be removed. The company shall use a reasonable approach to allocate the total company balance, after removing any non-admitted portion thereof, between PBR and non-PBR business and then allocate the PBR portion among model segments in an equitable fashion. Any negative IMR that is admitted must be fully allocated by line of business and cannot be allocated to surplus. In the case of negative PIMR, since a negative amount is being added when determining the starting asset amount, the amount of starting assets is reduced by the absolute value of the allocated amount of negative PIMR and the absolute value of the allocated amount of negative PIMR is then added in as the final step in calculating the aggregate scenario reserves.
- f. The company may use a simplified approach to allocate the PIMR, if the impact of the PIMR on the minimum reserve is minimal.

**VM-22, Section 4.D.1.iii**

iii. The allocated amount of PIMR attributable to the contracts being valued,

Deleted: assets selected

## Agenda Item 11

Consider Re-Exposure of APF 2023-10  
(VM-20 Stochastic Reserve Discount Rates)

**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:**

American Academy of Actuaries, Life Practice Council, Life Reserves Subcommittee (formerly LRWG)

**Title of the Issue:**

Discount Rate for VM-20 Stochastic Reserve

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, 2026, NAIC Valuation Manual

VM-20 Sections 5.B and 7.H; VM-31 Sections 3.D.2 and 3.D.6

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.)

We propose modifying the discount rate used to calculate the scenario reserves within the VM-20 Stochastic Reserve (SR) to be the Net Asset Earned Rate (NAER) on additional assets while also allowing for the Direct Iteration Method (DIM) as an alternative approach to calculating these scenario reserves, similar to the approach used in VM-21 and VM-22. The proposed wording exactly replicates the language in VM-22. The primary reason for making this change is to make VM-20 consistent with the approach used in VM-21 and VM-22. Secondly, the new Generator of Economic Scenarios (GOES) leads to instances of negative interest rates, which calls into question the appropriateness of the current approach of discounting at 105% of a Treasury Rate. -Changing to the NAER will allow for more appropriate discounting in these types of scenarios. Finally, the existing methodology of using SR discount rates equal to 105% of the path of 1-year Treasury rates does not have a clear, strong rationale for use. The methodology originated from C3P2 Standard Scenario for variable annuities, and the discount rate in C3P2 was later revised and eventually the Standard Scenario was eliminated altogether. This methodology for discounting is not used in most current applications where the greatest present value of accumulated deficiencies (GPVAD) are calculated.

\* This form is not intended for minor corrections, such as formatting, grammar, cross-references or spelling. Those types of changes do not require action by the entire group and may be submitted via letter or email to the NAIC staff support person for the NAIC group where the document originated.

**NAIC Staff Comments:**

Dates: Received	Reviewed by Staff	Distributed	Considered
8/17/23	K.K		
<b>Notes:</b> APF 2023-10			

## Attachment

### VM-20

#### Section 5: Stochastic Reserve

For a group of one or more policies for which a SR is to be calculated, the company shall calculate the SR as follows:

- A. Project cash flows in compliance with the applicable requirements in Section 7, Section 8 and Section 9 using the stochastically generated scenarios described in Section 7.G.2., and further described in Appendix 1. In determining the SR, the company shall determine the number and composition of subgroups for aggregation purposes in a manner that is consistent with how the company manages risks across products with significantly different risk profiles, and that reflects the likelihood of any change in risk offsets that could arise from distributional shifts between product types due to, for example, differing policyholder behavior. If a company is managing the risks of two or more products with significantly different risk profiles as part of an integrated risk management process, then the products may be combined into the same subgroup for aggregation purposes. If policies from more than one VM-20 Reserving Category are included in such a subgroup, the reserve for each VM-20 Reserving Category shall also be determined, as described in Section 5.G.

**Guidance Note:** Aggregation refers to the number and composition of subgroups of policies that are used to combine cash flows. Aggregating policies into a common subgroup allows the cash flows arising from the policies for a given stochastic scenario to be netted against each other (i.e., allows risk offsets between policies to be recognized). Note Section 5.G regarding the calculation of the SR on a stand-alone basis for each VM-20 Reserving Category.

- B. Calculate the scenario reserve for each stochastically generated scenario ~~as follows~~ using the method described in either Section 5.B.1 or Section 5.B.2:

#### 1. Present Value Method

- a. For each model segment at the model start date and end of each projection year, calculate the discounted value of the negative of the projected statement value of general account and separate account assets using the path of discount rates for the model segment determined in compliance with Section 7.H.4 from the projection start date to the end of the respective projection year. The balance of policy loans on the valuation date (if explicitly modeled under Section 7.F.3.b) and the balance of separate account assets on the valuation date are modeled each period in compliance with the applicable changes in these asset balances as defined in Section 7.

**Guidance Note:** The projected statement value of general account and separate account assets for a model segment may be negative or positive.

- b. Sum the amounts calculated in Subparagraph ~~1-a~~ above across all model segments at the model start date and end of each projection year.

**Guidance Note:** The amount in Subparagraph ~~2-b~~ above may be negative or positive.

- c. Set the scenario reserve equal to the sum of the statement value of the starting assets across all model segments and the maximum of the amounts calculated in Subparagraph ~~2-b~~ above.

## 2. Direct Iteration Method

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 positive accumulated deficiencies at the end of any projection year during the projection period.

- C. Rank the scenario reserves from lowest to highest.
- D. Calculate CTE 70.
- E. Determine any additional amount needed to capture any material risk included in the scope of these requirements but not already reflected in the cash-flow models using an appropriate and supportable method and supporting rationale.
- F. Add the CTE amount (D) plus any additional amount (E) less the positive or negative PIMR balance allocated to the group of one or more policies being modeled under Section 7.D.7.
- G. The SR equals the amount determined in Section 5.F. If the company includes policies from two or more VM-20 Reserving Categories in a subgroup for aggregation purposes as described in Section 5.A, the company shall calculate the SR for policies from each VM-20 Reserving Category on a stand-alone basis by following the process of A through F above.

## Section 7.H

- 4. ~~The company shall use the path of one-year Treasury interest rates in effect at the beginning of each projection year multiplied by 1.05 for each model segment within each scenario as the discount rates in the SR calculations in Section 5. In determining the scenario reserve using the Present Value Method under Section 5.B.1., accumulated deficiencies shall be discounted at the NAER on additional assets, as defined in Section 7.H.5.~~

~~Guidance Note: The use of different discount rate paths for the deterministic and scenario reserves is driven by differences in methodology. The DR is based on a present value of all liability cash flows, with the discount rates reflecting the investment returns of the assets backing the liabilities. The scenario reserve is based on a starting estimate of the reserve and assets that support that estimate, plus the greatest present value of accumulated deficiencies. Here, the discount rates are a standard estimate of the investment returns of only the marginal assets needed to eliminate either a positive or negative deficiency.~~

## 5. 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; and

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- 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.

The company should be able to support that these additional assets are not double counted across various PBR calculations. 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 VM20, VM-21, and VM-22.

b. To determine the NAER on additional invested asset portfolio for a given scenario:

- i. Project the additional invested asset portfolio as of the valuation date to the end of the projection period.
  - a) Investing any cash in the portfolio and reinvesting all investment proceeds using the company’s investment policy, subject to the alternative investment strategy described in section 7.E.1.g.
  - b) Excluding any liability cash flows.
  - c) Incorporating the appropriate returns, defaults and investment expenses for the given scenario.
- ii. If the value of the projected additional invested asset portfolio does not equal or exceed the accumulated deficiencies at the end of each projection year for the scenario, increase the size of the initial additional invested asset portfolio as of the valuation date, and repeat the preceding step.
- iii. Determine a vector of annual earned rates that replicates the growth in the additional invested asset portfolio from the valuation date to the end of the projection period for the scenario. This vector will be the NAER for the given scenario.

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Guidance Note: There are multiple ways to select the additional invested asset portfolio at the valuation date. Similarly, there are multiple ways to determine the earned rate vector. The company shall be consistent in its choice of methods, from one valuation to the next.

## VM-31

### Section 3.D.2

- i. Scenario Reserve Method – Identification of the method used to determine the scenario reserve, either (1) the present value method described in Section 5.B.1 of VM-20; or (2) the direct iteration method described in VM-20 Section 5.B.2.

### Section 3.D.6

- i. Net Asset Earned Rate – For each model segment’s DR: if the gross premium valuation method outlined in VM-20 Section 4.A was used, a listing or graph of the path of calculated NAER for all

years of the projection and an explanation of any abnormally high or low NAER values or unusual patterns over time. For each model segment's SR, if the present value method outlined in VM-20 Section 5.B.1 was used, a description of the vectors of NAER, including graphs or tables of summary statistics helpful to the understanding of the NAER vectors produced for each scenario, with a statement that a complete listing of NAER will be made available in electronic spreadsheet format upon request.

- v. Additional Invested Asset Portfolio – For each model segment's SR, if the present value method outlined in VM-20 Section 5.B.1 was used, a description of the portfolio of additional assets needed to fund the greatest present value of the accumulated deficiency for each scenario, including a description of the calculation process and the types of assets included.

# 10. Consider Re-Exposure of APF 2023-10

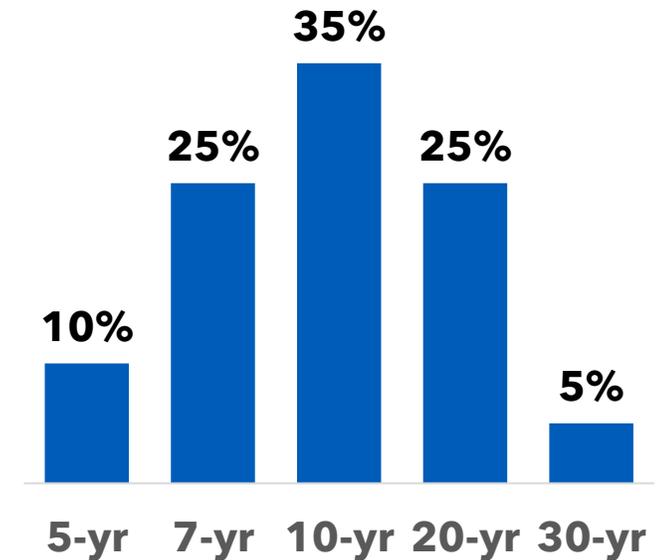
*Rachel Hemphill (TX)*

# VM-20 ULSG Model Office Specifications

Model assumptions and product features were selected based on industry benchmarks to be a simplified representation of products currently offered

## Projection model details

- Universal life with shadow design lifetime secondary guarantee issued in 2020
- Valuation date 12/31/2023
- Time 0 reserves held in 50% 5-year BBB bonds and 50% 7-year BBB bonds
- Reinvestment strategy uses 50% A/AA corporate bonds distributed across:
  - 5, 7, 10, 20, and 30-year bonds



# VM-20 ULSG Model Office Specifications

Model assumptions and product features were selected based on industry benchmarks to be a simplified representation of products currently offered

---

## **Best estimate assumptions**

- Follows industry benchmark assumptions
  - Mortality experience is 100% credible with 20 years of sufficient data
  - UL crediting rate is dynamic and based on NAER less a spread, varying for each stochastic scenario
- 

## **Prudent estimate assumptions**

- VM-20 prescribed mortality margins based on credibility and sufficient data period
  - Minimal lapse when policy maintained in-force by NLG (i.e.  $CSV = 0$ )
-

# Review of Model Office Cohorts

## ULSG Model

Universal Life with Secondary Guarantees (ULSG) model—long-duration product, larger potential for reserve reduction

- No reinsurance in the model
- Mortality

2015 VBT Relative Risk Tables (ANB)

- Preferred NS = RR80
- Standard NS = RR100
- Standard SM = RR100

Company Mortality

- High Band = 85% of RR Table
- Low Band = 90% of RR Table

Industry Mortality = 100% RR Table

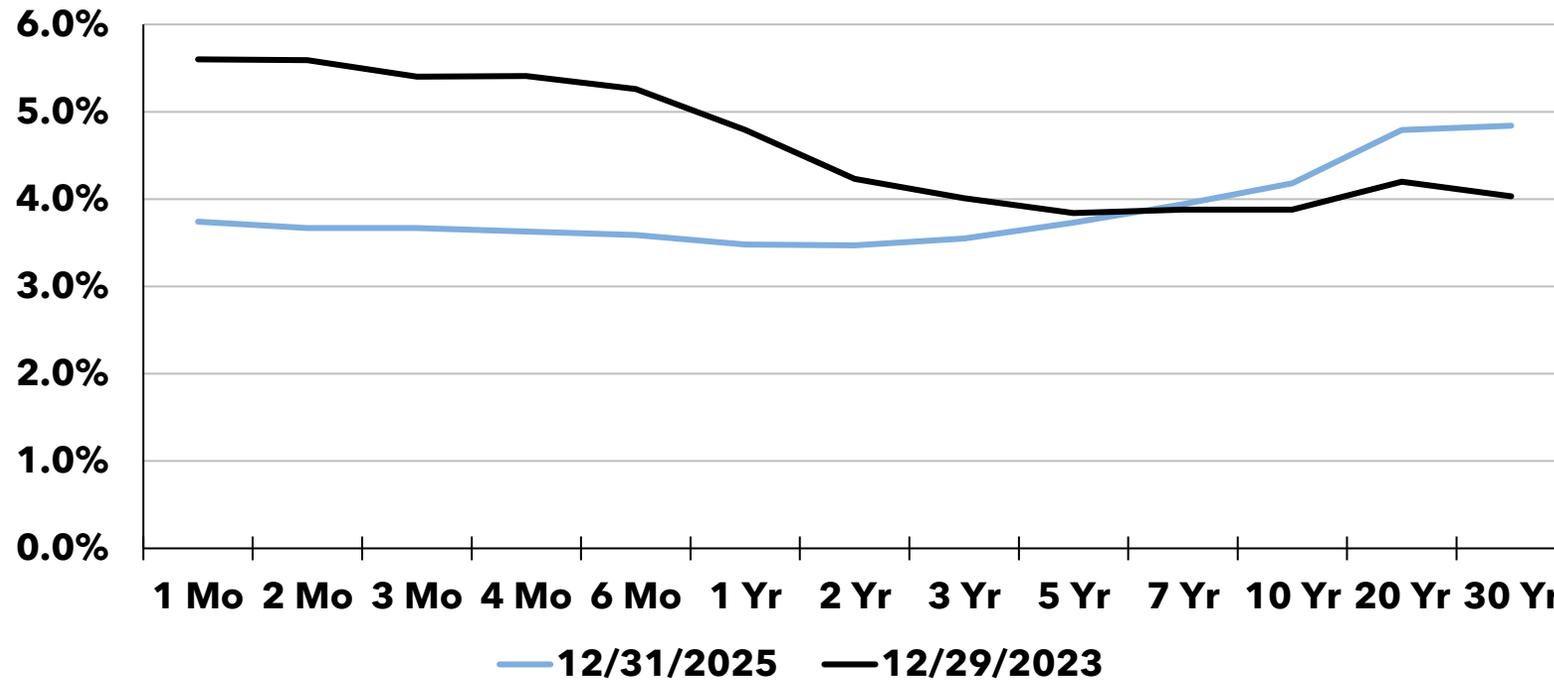
## Impact Testing

Issue Ages	Decennial issue ages 30-70
Gender	50/50 Male / Female
Risk Classes	Preferred Nonsmoker Standard Nonsmoker Smoker
Face Bands	Low (\$250K) High (\$1M)
Impact Measures	CTEs of GPVAD Discount rates by scenario

# GOES Scenarios used in impact analysis

12/31/23 UST Starting Yield Curve

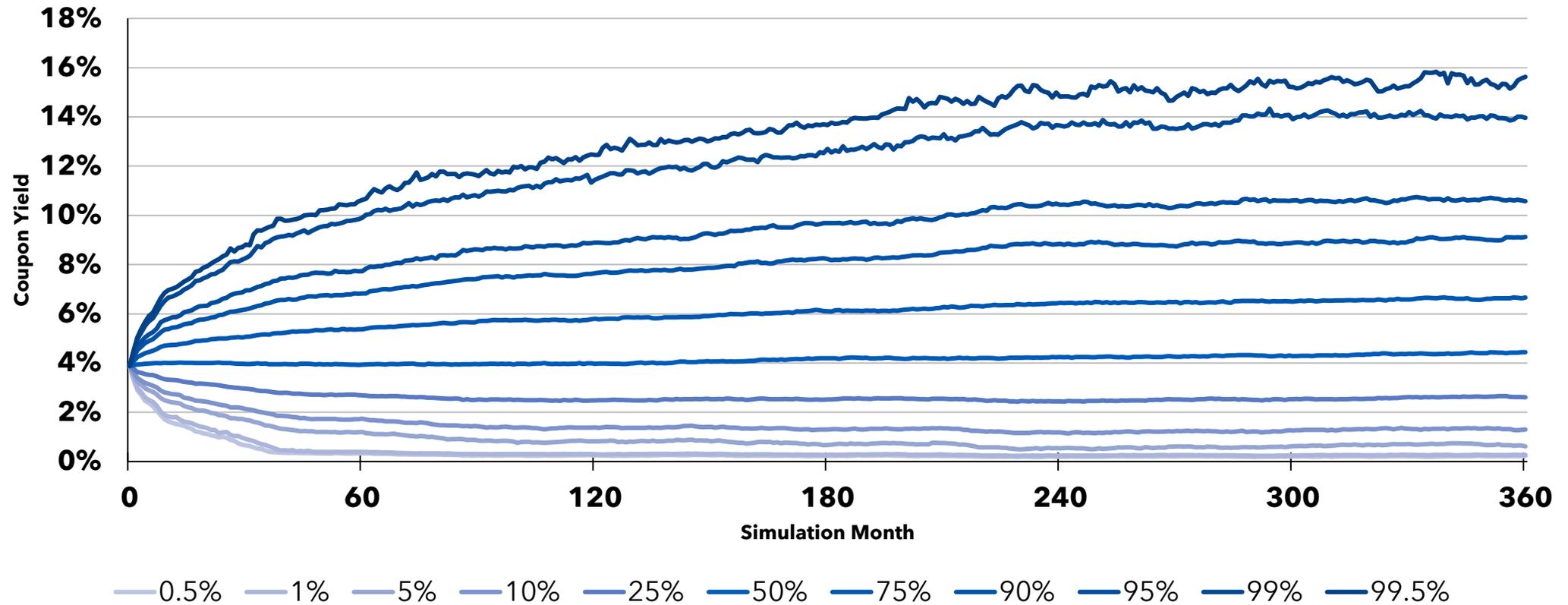
**UST Yield Curve YE 2025 vs YE 2023**



[https://home.treasury.gov/resource-center/data-chart-center/interest-rates/TextView?type=daily\\_treasury\\_yield\\_curve&field\\_tdr\\_date\\_value=2025](https://home.treasury.gov/resource-center/data-chart-center/interest-rates/TextView?type=daily_treasury_yield_curve&field_tdr_date_value=2025)

# GOES Scenarios used in impact analysis

## 12/31/23 GOES 10YR UST Fan Chart Percentiles



# OW Model Office Analysis Approach

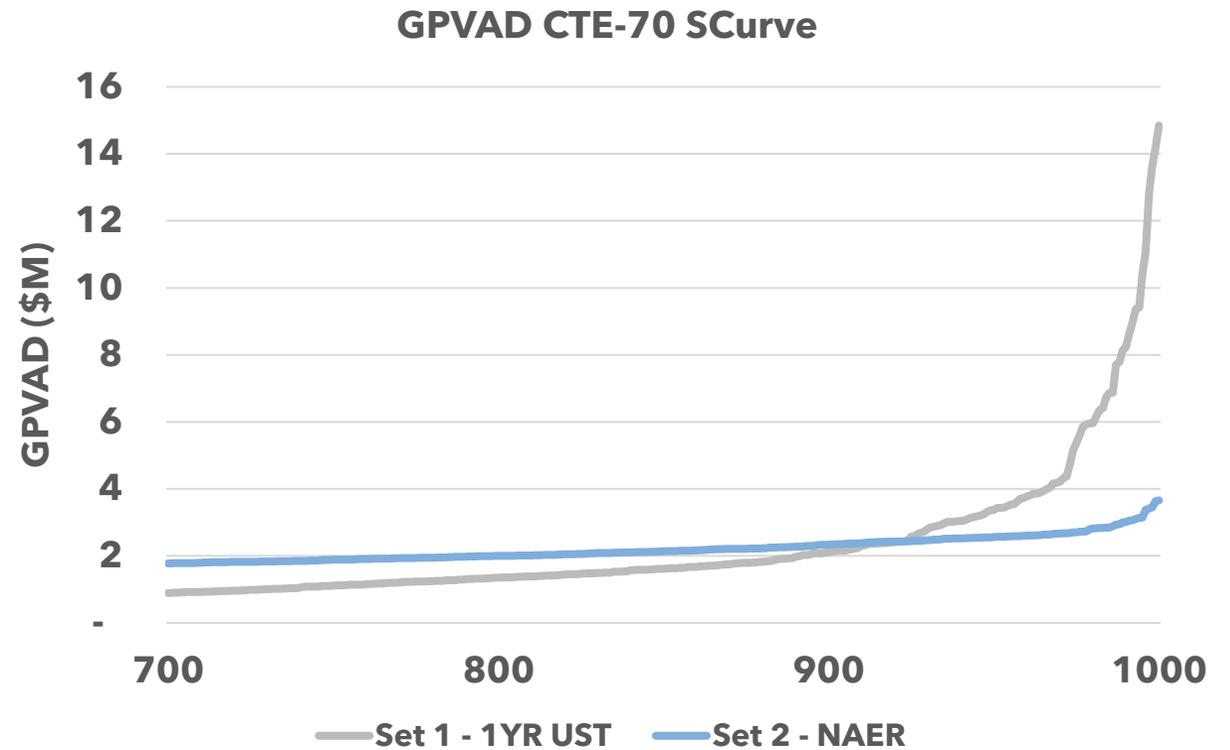
1. Produced VM-20 stochastic reserve (SR) using:
  - 1000 scenario subset from GOES Revised 12/31/2023 scenario set.
  - latest AXIS model with the updated asset portfolios
2. Used two different discounting methods:
  - Discounting at 1Y UST
  - Discounting at the net asset earned rate (NAER), consistent with the deterministic reserve (DR)

## Model Office Analysis Approach (Cont.)

3. Performed analysis of the model results along the tail scenarios with focus on the 1Y UST rates, NAERs, and net liability cashflows:
  - Identified the 99<sup>th</sup> percentile scenario for each run based on GPVAD
    - 1YR UST = Scenario #6505
    - NAER = Scenario #4529
  - Pinpointed the worst scenario for each run (happened to be the same scenario in both runs) based on GPVAD
    - 1YR UST Scenario = NEAR Scenario = Scenario #2667
  - Reviewed the distribution of net liability cashflows, 1Y UST and NAER's across the 20 worst scenarios (based on GPVAD for each run)

# Stochastic Reserve under VM-20 using NAER compared to 1Y UST discounting

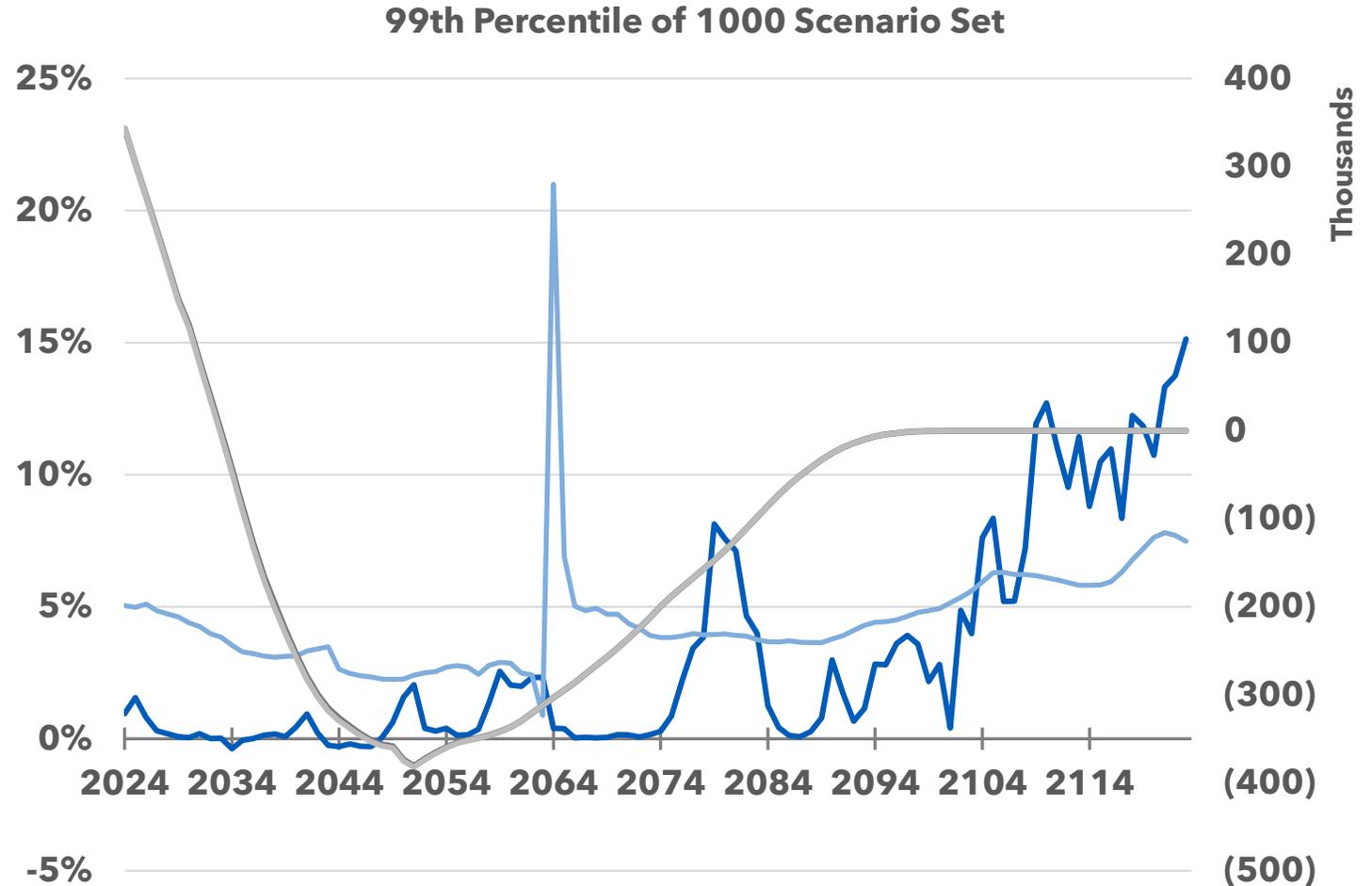
Discounting	CTE 70	CTE 98
<b>1YR UST</b>	2,408,847	9,232,626
<b>NAER</b>	2,223,362	3,099,531
<b>Impact</b>	<b>-7.70%</b>	<b>-66.43%</b>



# Reviewed 99<sup>th</sup> Percentile

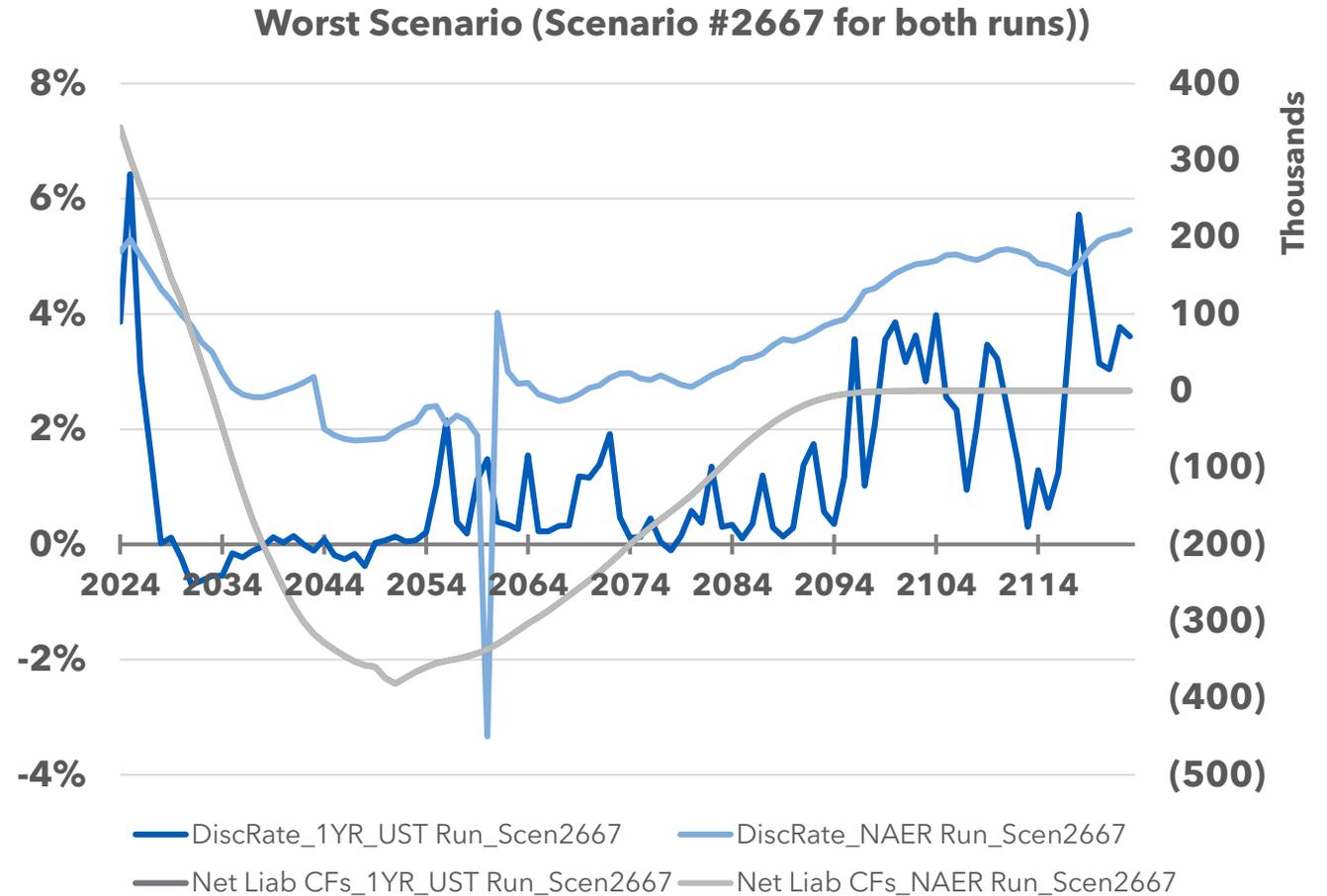
- NAER is generally higher than the 1Y UST rates, especially in the earlier projection periods
- Net liability cashflow in the tail scenarios follow nearly identical paths regardless of the discounting method
- NAER pop up occurs at a shift in total assets from positive to negative

— DiscRate\_1YR\_UST Run\_Scen6505  
— DiscRate\_NAER Run\_Scen4529  
— Net Liab CFs\_1YR\_UST Run\_Scen6505  
— Net Liab CFs\_NAER Run\_Scen4529



# Reviewed Worst Scenario

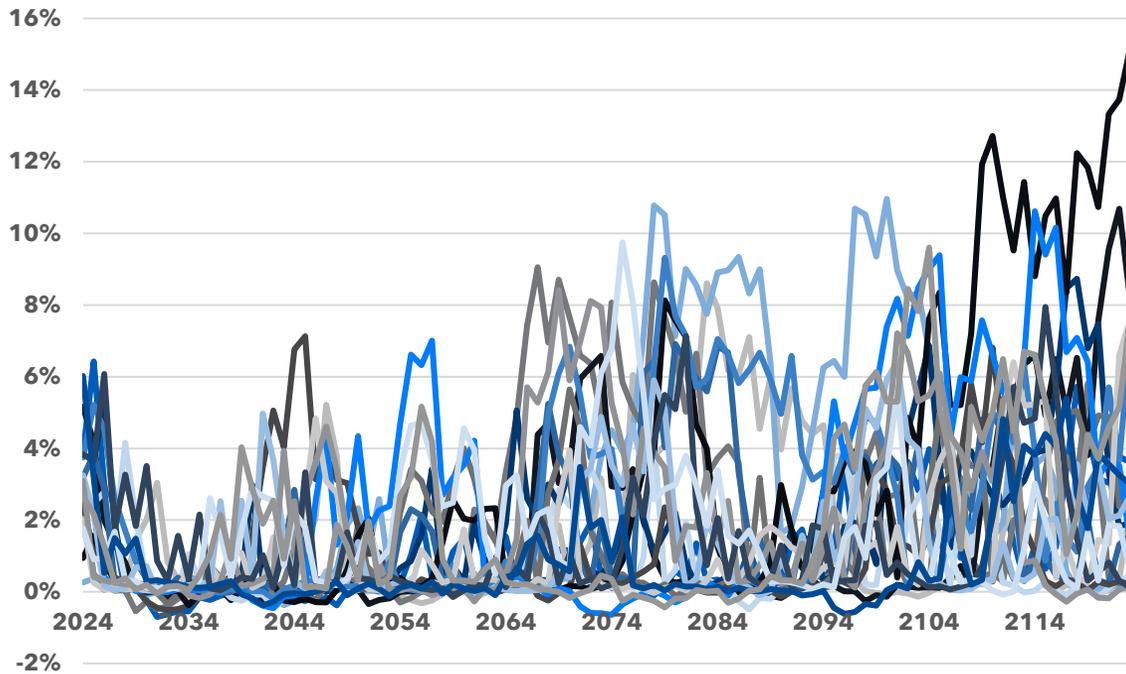
- NAER is generally higher than the 1Y UST rates, especially in the earlier projection periods
- Net liability cashflow in the tail scenarios follow nearly identical paths regardless of the discounting method
- NAER pop down occurs at the shift in total assets from positive to negative
- Worst scenario happened to be the same under each method (Scenario #2667)



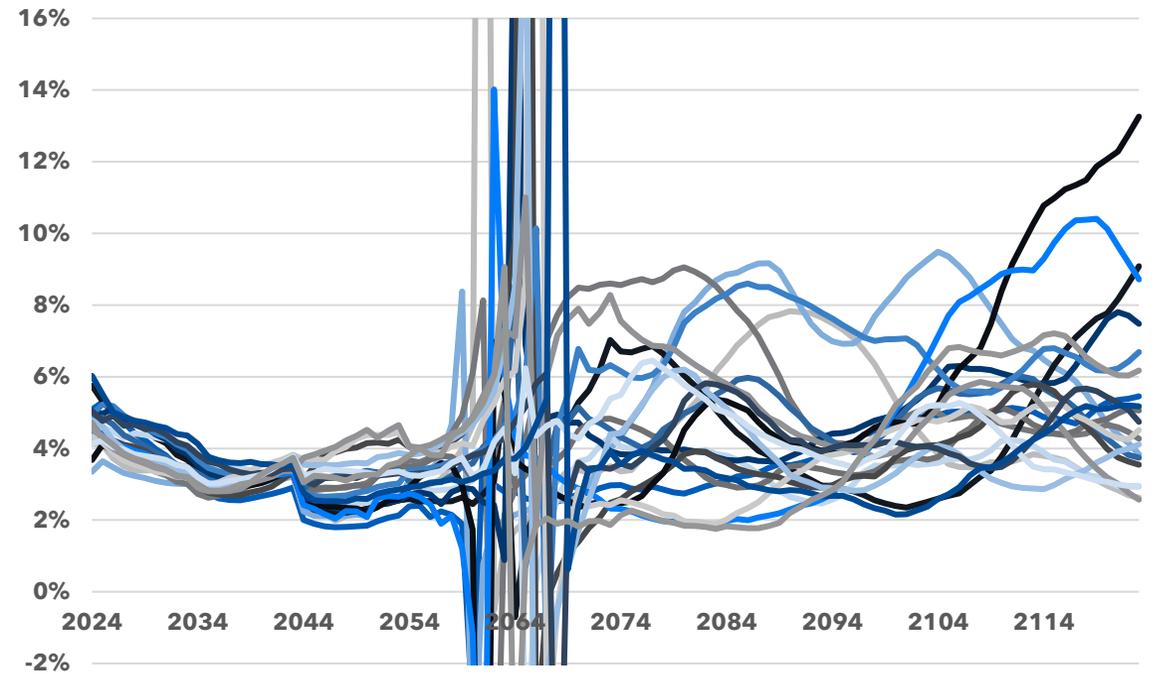
# Review 20 worst scenarios based on GPVAD

Decrease in CTE's is commensurate with the increase in discount rates from the 1Y UST to the NAER

Discount rates from 1Y UST Run



Discount rates from NAER Run



## Agenda Item 12

Discuss Errata Process for Valuation Manual

Grammar and Reference Error Corrections

(No Materials)

## Agenda Item 13

Consider Adoption of APF 2025-17

(VM-20, Requirements for Principle-Based Reserves for Life  
Insurance Stochastic Reserve Aggregation)

## 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, TDI, Update VM-20 stochastic reserve calculation to reflect aggregation.

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:

VM-20 Section 5.G

Valuation Manual, January 1, 2026 Edition

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.)

### VM-20 Section 5.G

The SR equals the amount determined in Section 5.F. If the company includes policies from two or more VM-20 reserving ~~category~~ categories in a subgroup for aggregation purposes as described in Section 5.A, the company shall calculate the SR for policies from each VM-20 reserving category on a stand-alone basis by following the process of A through F above. Then, the final SR for the group of policies from a given VM-20 reserving category is determined by:

$$I_A = I_S * (T_A / T_S), \text{ if } T_S \neq 0$$

$$I_A = 0, \text{ if } T_S = 0$$

Where:

- $I_A$  = the SR for the policies from an individual VM-20 reserving category reflecting aggregation.
- $I_S$  = the SR for the policies from an individual VM-20 reserving category on a stand-alone basis.
- $T_A$  = the SR for the group of policies in aggregate.
- $T_S$  = the sum of  $I_S$  for the group of policies for the Term, ULSG, and All Other reserving categories.

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

Allow reflection of the aggregation benefit in the VM-20 stochastic reserve.

\* This form is not intended for minor corrections, such as formatting, grammar, cross-references or spelling. Those types of changes do not require action by the entire group and may be submitted via letter or email to the NAIC staff support person for the NAIC group where the document originated.

#### NAIC Staff Comments:

Dates: Received	Reviewed by Staff	Distributed	Considered
11/14/25	JR		
Notes: 2025-17			



Brian Bayerle  
Chief Life Actuary  
202-624-2169

Colin Masterson  
Sr. Policy Analyst  
202-624-2463

February 4, 2026

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

Re: Amendment Proposal Form (APF) 2025-17 (VM-20 Stochastic Reserve)

Dear Chair Hemphill:

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide feedback on APF 2025-17 which aims to update VM-20's Section 5.G stochastic reserve calculation to reflect aggregation. We would also like to take this time to thank LATF, and specifically the Texas Department of Insurance for developing this proposal and bringing it forward.

ACLI supports changes to reserve and capital frameworks that appropriately measure the underlying risks and reflect inherent risk offsets. Accordingly, ACLI is a proponent of aggregation between products, and we therefore are in favor of this APF's adoption as a revision that will be a positive development for industry, regulators, and consumers alike. Given the other efforts such as VM-22 and GOES implementation, we also believe that additional future discussion is warranted regarding how the principles of this proposal can be applied to other parts of the Valuation Manual and RBC framework.

Thank you once again for the opportunity to review and comment on this item and we look forward to further discussion at LATF soon.

Sincerely,

A handwritten signature in black ink that reads "B Bayerle Colin Masterson". The signature is written in a cursive, flowing style.

cc: Scott O'Neal, NAIC

## Agenda Item 14

Hear an Update on SOA Research and Education



# SOCIETY OF ACTUARIES RESEARCH UPDATE TO LATF

March 22, 2026

R. Dale Hall, FSA, MAAA, CERA, CFA  
Managing Director of Research

*The material and information contained in this presentation is for general information only. It does not replace independent professional judgment and should not be used as the basis for making any business, legal or other decisions. The Society of Actuaries assumes no responsibility for the content, accuracy or completeness of the information presented.*

# SOA Research Highlights

- Experience Studies Releases
  - Upcoming Data Call for Life Insurance Company Expense Study
  - Individual Life and Individual Annuity Products
  - Distribution Systems
  - Acquisition, Maintenance, and Overhead Expenses
- Practice Research
  - Complex Assets in Insurance and Annuity Industries
  - International Reinsurance Landscape Overview for U.S. Life & Annuities
- 19<sup>th</sup> Annual Emerging Risk Survey released on March 10
- AI Insights Symposium May 13 – 14
  - Use of AI and AI Risk Management

# Experience Studies

Project Name	Objective	Link/Expected Completion Date
2022-2024 Variable Annuity Guaranteed Living Benefit Utilization Study - Report	Examine the utilization of guaranteed living benefit options on variable annuity policies under a joint SOA/LIMRA project	<a href="https://www.soa.org/resources/experience-studies/2025/2022-24-va-livingbenefit/">https://www.soa.org/resources/experience-studies/2025/2022-24-va-livingbenefit/</a>
2009-2023 Term Conversion Incidence and Post-Conversion Mortality and Lapse Experience - Report	Conduct a mortality and lapse experience study on converted life insurance policies	<a href="https://www.soa.org/resources/experience-studies/2025/2009-23-term-conversion/">https://www.soa.org/resources/experience-studies/2025/2009-23-term-conversion/</a>
2023-2024 Fixed Indexed Annuity Study - Report	Examine lapse and the utilization of guaranteed living withdrawal benefit options on fixed indexed annuity policies under a joint SOA/LIMRA project and release Tableau visualizations with the observations from the study	<a href="https://www.soa.org/resources/experience-studies/15-22-grp-ltd-inc/">https://www.soa.org/resources/experience-studies/15-22-grp-ltd-inc/</a>
AG-38 Mortality Improvement 2025	2025 AG-38 Mortality Improvement Scales	<a href="https://www.soa.org/resources/research-reports/2025/mort-improvement-rates-ag38/">https://www.soa.org/resources/research-reports/2025/mort-improvement-rates-ag38/</a>
2023-2024 Fixed Indexed Annuity Study - Report	Examine lapse and the utilization of guaranteed living withdrawal benefit options on fixed indexed annuity policies under a joint SOA/LIMRA project and release Tableau visualizations with the observations from the study	<a href="https://www.soa.org/resources/experience-studies/2025/2023-fixed-index-annuity/">https://www.soa.org/resources/experience-studies/2025/2023-fixed-index-annuity/</a>
2000-2023 U.S. Historical Population Mortality Rates		<a href="https://www.soa.org/resources/research-reports/2025/us-historical-mortality-rates/">https://www.soa.org/resources/research-reports/2025/us-historical-mortality-rates/</a>
ILEC Simplified Issue/Accelerated Underwriting Study	Understanding simplified issue and accelerated underwriting in life and survey practices, and analyze data as it is available	Mar 2026
2020-2024 Individual Payout Annuity Mortality Study		Jun 2026
2015-2024 Deferred Annuity Mortality Study		Jul 2026
2024-2025 Registered Index-Linked Annuity (RILA) Behavior Study		Sep 2026
2018-2024 Individual Life Mortality Study	Individual life mortality study based on VM51 and including additional data on cause of death and accelerated benefits	Oct 2026
2009-2024 Post-Level Term Mortality and Lapse		Dec 2026



# Practice Research

Project Name	Objective	Link/Expected Completion Date
Fairness Metrics for Life Insurance	Identify and discuss a variety of quantitative metrics that could be used to evaluate fairness of life insurance products under different definitions of fairness	<a href="https://www.soa.org/resources/research-reports/2026/fairness-metrics-life-insurance/">https://www.soa.org/resources/research-reports/2026/fairness-metrics-life-insurance/</a>
U.S. Drug Abuse Epidemic: Past, Present and Future	Create a resource that examines the evolution of the U.S. drug epidemic and outlook of the impact on future mortality	<a href="https://www.soa.org/resources/research-reports/2025/drug-overdose-trends-mortality/">https://www.soa.org/resources/research-reports/2025/drug-overdose-trends-mortality/</a>
Mitigating Potential Unwanted Bias in Life and Annuity Products: Call for Essays	Essays that increase awareness of potential unwanted bias in any process related to life or annuity insurance products and offer methods for eliminating or reducing the likelihood of unwanted bias	<a href="https://www.soa.org/resources/research-reports/2025/unwanted-bias-life-annuity/">https://www.soa.org/resources/research-reports/2025/unwanted-bias-life-annuity/</a>
International Reinsurance Landscape Overview for U.S. Life & Annuities	An overview of reinsurance in a variety of international jurisdictions for U.S. life and annuities, comparing key jurisdictions' capital/reserving rules and practical implications for competitiveness, risk management, and policyholder protection	<a href="https://www.soa.org/resources/research-reports/2026/international-reinsurance-landscape-overview/">https://www.soa.org/resources/research-reports/2026/international-reinsurance-landscape-overview/</a>
Complex Assets in Insurance and Annuity Industries	Explores how life and annuity insurers use CLOs, ABS, and MBS to boost yield, and discusses the key liquidity, valuation, and cash-flow risks to manage	<a href="https://www.soa.org/resources/research-reports/2026/complex-assets-insurance-annuities/">https://www.soa.org/resources/research-reports/2026/complex-assets-insurance-annuities/</a>
Criminal Histories and Mortality	Examines the link between individuals with a criminal history and mortality	Mar 2026
Generating Consistent Real World and Risk Neutral Interest Rate Scenarios	Expands and develops new methodology related to interest rate scenario generators	Jun 2026
Impact of AI-Supported Underwriting on Mortality Slippage – Report	Get a holistic and in-depth understanding of the industry's current approaches to AI-supported underwriting and its impacts on mortality slippage	Jun 2026
Primer on Investment-Related Regulatory Approaches for Banking versus Insurance Industries	Produce a primer that compares regulatory approaches for actuarially related investment aspects of the banking and insurance industries in North America	Jul 2026
LTC Pricing Project Refresh	This is an update to the original study published in November 2016	Oct 2026



## Agenda Item 15

Hear an Update from the Academy Council on  
Professionalism and Education

# Academy Professionalism Update

NAIC Spring National Meeting  
March 2026

## Housed in the Academy: The Web of Professionalism

2



- U.S. Code of Professional Conduct
- U.S. Qualification Standards (USQS)
- Actuarial Standards Board & Actuarial Standards of Practice (ASOPs)
- Actuarial Board for Counseling and Discipline (ABCD)

All of these are accessible via the Academy's professionalism page, [actuary.org/professionalism](https://actuary.org/professionalism), along with Discussion Papers, the Applicability Guidelines, and Professionalism Counts (in Actuarial *Update*) and Up to Code (in *Contingencies*) columns.

## Committee on Qualifications

3

### The Committee on Qualifications (COQ)

- Recommends to the Academy's Board of Directors the minimum qualification standards, including continuing education requirements, necessary to qualify credentialed actuaries to issue statements of actuarial opinion in the United States.
- Answers questions relating to qualifications.
  - As of early March, the COQ received six questions in 2026, covering qualifications for non-US actuaries to issue SAOs, specific qualifications, CE, and documentation requirements.

The most recent U.S. Qualification Standards took effect Jan. 1, 2022.

## Actuarial Standards Board (ASB)



### General ASOPs under revision

- ASOP No. 1, *Introductory Standard of Practice*
- ASOP No. 12, *Risk Classification (for All Practice Areas)*
- ASOP No. 41, *Actuarial Communications*

Learn more at: [www.actuarialstandardsboard.org](http://www.actuarialstandardsboard.org)

## Actuarial Standards Board (ASB)



### Life ASOPs under revision or development

- ASOP No. 52, *Principle-Based Reserves for Life Products under the NAIC Valuation Manual*
- *Pricing Reinsurance or Similar Risk Transfer Transactions Involving Life Insurance, Annuities, or Long-Duration Health Benefit Plans* (new)

### Recently approved

- ASOP No. 7, *Life or Health Cash Flow Analysis*
  - Effective June 1, 2026

## Actuarial Board for Counseling and Discipline (ABCD)

### Recent ABCD activities

- In 2025, the ABCD handled a total of 138 cases, consisting of 114 requests for guidance (RFGs) and 24 inquiry cases.
- In addition, the ABCD conducted 25 outreach presentations, both virtually and in person, for actuarial organizations, regulators, and actuarial clubs and firms across all major regions of the United States.

### In *Contingencies* magazine

- March/April 2026 Up to Code article, [Perspectives from the ABCD](#)
- Jan/Feb 2026 Up to Code article, [Precept 13 and Self-Regulation](#)
- Nov/Dec 2025 Up to Code article, [When Is a Violation Resolved?](#)



Coming Soon

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## Webinar on ASOP No. 41 Exposure Draft

*1.8 organized and professionalism  
continuing education (CE) credits*

ASB Board and Committee members will discuss the recent exposure draft of ASOP No. 41, *Actuarial Communications*, which applies to all practice areas. Attendees will gain a clear understanding of the proposed changes and insight into why they are being made.

## Questions?

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For more information, or to send suggestions/comments on the  
U.S. Qualification Standards, please contact  
Virginia Hulme, Assistant Director, Professionalism  
[professionalism@actuary.org](mailto:professionalism@actuary.org)

## Agenda Item 16

Hear an Update from the Academy Life Practice Council

# Life Practice Council Update

Life Actuarial (A) Task Force

March 22, 2026

## About the Academy

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### **Mission:**

To serve the public and the U.S. actuarial profession



### **Community:**

Serving over 20K MAAs & public stakeholders for 60 years



### **Standards:**

Setting qualification, practice, and professionalism standards



### **Impact:**

Delivering over 300 insight-driven publications & resources annually

Visit [www.actuary.org](http://www.actuary.org) to learn more.



# Recent LPC—NAIC Engagement

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## Life Risk-Based Capital (E) Working Group

- Assisting group with developing recommendations for revisions to C-3 framework
- Comments on C-3 Phase I and Phase II updates

## Longevity Risk (E/A) Subgroup

- Assisting group with longevity reinsurance proposals for C-2 charge.
- Comments on a proposed framework for the RBC C-2 charge for longevity reinsurance

## Risk-Based Capital Investment Risk and Evaluation (E) Working Group

- Assisting group with developing recommendations for revisions to C-1 framework
- Update on CLO C-1 factor modeling for the Structured Securities RBC Project

## Upcoming Life-focused Events

- **Life Investment Summit, New York, May 12-13, 2026**
- **PBR Seminar, Aug. 2026**
- **Retirement Symposium, D.C., Sept. 2026**
- **Life and Health Qualifications Seminar, Arlington, Sept. 28-Oct. 1, 2026**

## Recent LPC Activity

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### Webinars/Events:

- [Refining US GAAP for Long-Duration Insurance Contracts](#)—Jan. 14
- [Underwriting: A Governance Checklist](#)—Jan. 21
- [Spring Policy Summit and annual Capitol Hill Visits](#)—March 10-11

### Publications

- [Fixed Indexed Annuities—Product Mechanics and Risk Management](#)
- [7702, Valuation Rate, and Applicable Federal Interest Rate Calculator](#)



## REMINDER: Disruptive Events

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### The Academy continues to seek input on potentially disruptive events:

- significant developments (e.g., emergencies, disasters, cure for chronic disease);
- not covered by routine measures;
- can be caused by natural, man-made, or artificial circumstances;
- cause current actuarial models to no longer be effective.



[actuary.org/potentiallydisruptive](https://actuary.org/potentiallydisruptive)

# Insuring the **Future**

## Insurance Investment Summit 2026

The world of insurance asset management is rapidly evolving. Make sure you are staying ahead.

Learn more: [actuary.org/insurance-investment-summit](https://actuary.org/insurance-investment-summit)

# Join us Tonight!



# Life and Health Valuation Law Manual

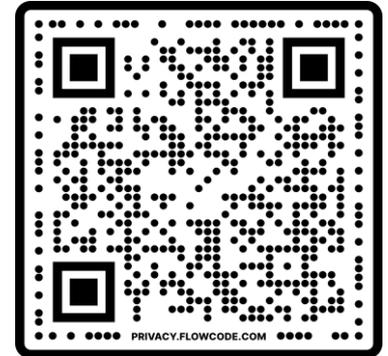
## What's Inside?

- Current topics section outlining key valuation developments and specific state guidance;
- Current NAIC model laws and regulations that affect reserve calculations;
- A discussion of generally distributed interpretations; and
- Current actuarial guidelines from the NAIC *Financial Examiners Handbook*.

Life and Health  
Valuation Law Manual

# Law Manual

A COMPLIANCE OF REQUIREMENTS concerning  
the NAIC model Standard Valuation Law and the  
model Actuarial Opinion and Memorandum Regulation



[actuary.org/lifehealth-manual](https://actuary.org/lifehealth-manual)

# Access Other Academy Resources

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Follow the Academy on [LinkedIn](#)

Visit [actuary.org](https://www.actuary.org) for Academy Resources, including:



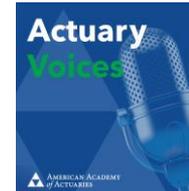
[Contingencies Magazine](#)



[Policy Forum](#)



[Actuarially Sound Blog](#)



[Actuary Voices Podcast](#)



[Academy Insights](#)

## Questions?

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For more information, please contact

**Amanda Barry-Moilanen**

**Policy Project Manager, Life**

**[barrymoilanen@actuary.org](mailto:barrymoilanen@actuary.org)**

Agenda Item 17

Hear an Update on the Artificial Intelligence

(AI) Systems Evaluation Tool Pilot

(No Materials)

## Agenda Item 18

Consider Exposure of APF 2026-03  
(VM-22 SPA Dynamic Lapse Formula)

## 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.

Elaine Lam, California Department of Insurance  
 Ben Slutsker, Minnesota Department of Commerce

Clarify calculation mechanics in the VM-22 SPA dynamic lapse formula, specifically in the Market Factor and Rate Factor formulas.

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, 2026 Edition of the *Valuation Manual* – VM-22 Section 6.C.5 Full Surrenders

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.)

In the current VM-22 SPA dynamic lapse formula, in order to get the intended result, the Market Factor accepted percentage inputs (for CR, MR, BF) as whole numbers rather than decimals. For example, 5% was expected to be input as 5, instead of 0.05. This input format caused confusion due to inconsistency with mathematical convention where percentages are typically expressed as decimals (e.g., 5% is 0.05, not 5).

This APF updates the formula for Market Factor to accept decimal inputs for percentages rather than whole number inputs, which follows mathematical convention. The formula for Rate Factor also requires updating, to output a decimal percentage rather than a whole number percentage (which again follows mathematical convention), to be correctly input into the Total Lapse formula. In the end, the Total Lapse result will be unchanged.

Mechanically, to end up with the same result, the changes being proposed are to:

- multiply the decimal percentage inputs of the Market Factor by 100
- divide the Rate Factor by 100 to turn it into a decimal percentage output

(Footnote: CR = Crediting Rate; MR = Market Rate; BF = Buffer Factor)

\* This form is not intended for minor corrections, such as formatting, grammar, cross-references or spelling. Those types of changes do not require action by the entire group and may be submitted via letter or email to the NAIC staff support person for the NAIC group where the document originated.

**NAIC Staff Comments:**

<b>Dates:</b> Received	Reviewed by Staff	Distributed	Considered
3/10/25	SO		
<b>Notes:</b>			

W:\National Meetings\2010\...\TF\LHA\

VM-22 Section 6.C.5 – Full Surrenders  
(proposed changes in red)

...

$$Total\ Lapse = (Base\ Lapse \times GMIR\ Factor + Rate\ Factor \times MVA\ Factor) \times ITM\ Factor$$

...

Rate Factor

$$Rate\ Factor = Market\ Factor \times Max(0, 1 - 5 \times (I - CSV/AV)) \div 100$$

...

Market Factor

$$\begin{aligned} Market\ Factor &= -1.25 \times [100 \times (CR - MR)]^X && \text{if } CR \geq MR \\ Market\ Factor &= 0 && \text{if } MR > CR \geq (MR - BF) \\ Market\ Factor &= 1.25 \times [100 \times (MR - BF - CR)]^X && \text{if } CR < (MR - BF) \end{aligned}$$

X = 2.0 during Surrender Charge Period, 2.5 at Shock, and 2.5 thereafter

Agenda Item 19  
Discuss Any Other Matters  
Brought Before the Task Force  
(No Materials)