



November 18, 2025

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

Re: Chair Exposure regarding [VM-22 Aggregation](#)

Dear Chair Slutsker:

On behalf of the Annuity Reserves and Capital Subcommittee (ARCS) of the American Academy of Actuaries,¹ I appreciate the opportunity to comment on the recent chair exposure requesting discussion on the eligibility criteria and requirements for aggregation of the Payout Annuity and Accumulation Reserving Categories under VM-22 (Aggregation Exposure) and I am pleased to provide the following comments.

Response to Exposure Item 1

In response to question one of the Aggregation Exposure, ARCS believes that aggregation of the Payout Annuity and Accumulation Reserving Categories is not appropriate in all circumstances and hence supports the imposition of certain criteria for companies to be permitted to aggregate these reserve categories when determining reserves under VM-22.

In particular, if a company does not jointly manage the investment decisions for the contracts within these two reserving categories together in the normal course of business, then we do not believe it would be appropriate to recognize any aggregation benefits in the reserve modeling, since such benefits may not be realized without a joint investment decision-making program.

Along similar lines, if a company does not jointly monitor and manage the risks associated with the contracts in these two reserve categories as part of an integrated risk management framework, then the company's ability to assess the reasonableness of the size and the level of certainty regarding any modeled aggregation benefits would, by definition, be limited, particularly for more extreme economic scenarios. Given this inherent uncertainty between modeled outcomes and reality, we do not believe it would be appropriate to reflect such aggregation benefits in the statutory reserves.

Response to Exposure Item 2

In response to question two of the Aggregation Exposure, ARCS believes that the requirements for aggregation currently included in the 2026 Valuation Manual in Section 3.F.2 of VM-22 are necessary and sufficient to permit a company to aggregate these reserve categories.

A company's risk management and asset-liability management (ALM) practices are key tools used to make strategic and tactical decisions when managing the various blocks of business issued by the company. Aligning the level of aggregation used in the determination of the statutory reserves with the

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

company's internal processes is both appropriate and consistent with the principles outlined in Section 1 of VM-22.

Subject to the additional considerations provided in our response to exposure item 3 immediately below, ARCS supports proceeding with the aggregation requirements as currently drafted.

Response to Exposure Item 3

In response to question three of the Aggregation Exposure, ARCS identified that individual views may vary as to what specific risk management and/or ALM strategies would meet the criteria for allowing aggregation in the current language. ARCS believes that determination of whether each company's specific facts and circumstances meet the criteria should be made by the qualified actuary responsible for the VM-31 Annuity Report in consultation with the company's leadership team responsible for the risk management and ALM programs, respectively. In addition, ARCS notes that the specific facts and circumstances related to each company's risk management and ALM practices may change over time and should be re-evaluated at least annually. Finally, ARCS believes the supporting rationale for the decision of whether to aggregate these reserve categories should be included in the VM-31 report.

To address these points, ARCS would propose amending the guidance note in Section 3.F.2 of VM-22 as follows:

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.~~ For purposes of aggregating the Payout Annuity Reserving Category and the Accumulation Reserving Category, the determination of whether the company manages the risks of the contracts within both categories in an integrated risk management process and whether the contracts within both categories are managed within either a single portfolio or portfolios with the same ALM strategy, should be undertaken annually by the qualified actuary responsible for the Annuity Report in consultation with the company's chief risk officer, chief investment officer, or other leaders who are involved in developing and executing the risk management and ALM programs. While the specific items to be reviewed as supporting evidence in making this determination will vary by company based on the specific risk management and ALM programs employed, they may include items such as the company's risk appetite statement, risk inventory/risk register, risk management dashboards, risk tolerances, key risk indicators, risk management policies, investment management policies, asset/liability cashflow reports, portfolio reports, key rate duration reports, hedge effectiveness/hedge breakage reports, and any other management reports utilized by the company's senior management in making strategic and tactical risk management and portfolio management decisions. The key factors underlying this determination should be disclosed in an applicable section of the VM-31 report including, but not limited to, sections 3.F.6 a., 3.F.8.a., and 3.F.14.j.ii, and consistency with the risk management or investment strategy(ies) approved by Senior Management (as defined in VM-G) should be documented.

Thank you for your consideration of these comments. Please contact Amanda Barry-Moilanen (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