



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,¹ 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.

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.

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), 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