



AMERICAN ACADEMY  
of ACTUARIES

June 8, 2026

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

Re: VM-22 Application to GICs, Funding Agreements, SGICs, and Stable Value Contracts

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 (SGICs), Funding Agreements, and other Stable Value Contracts in VM-22 and am pleased to provide the following comments.

1. *If some contracts are ultimately excluded from the scope of VM-22, what are specific product design/risk characteristics that could be listed as criteria for warranting such an exclusion?*

The following could be used as exclusion criteria for products that exhibit all of the following product design and risk characteristics:

- 1) **Limited exposure to policyholder behavior and biometric risks:** Products where liability cash flows are not materially sensitive to assumptions related to policyholder behavior (e.g., surrender or withdrawal timing) or biometric risks (e.g., mortality or longevity). This includes contracts with limited ability for policyholders or contract holders to alter the timing or amount of cash flows once issued.
- 2) **Short expected cash flow duration:** Products where the liability runoff is limited (for example, below a defined threshold such as a few years), reducing exposure to reinvestment, interest rate, and long-tail risks.  
*Note:* Some products under consideration may span from 1 month to 10 years (or longer), so a clear duration threshold would need to be established.
- 3) **Absence of material embedded optionality:** Liabilities that do not contain features that create asymmetric, path-dependent, or market-contingent outcomes (e.g., options or guarantees that materially increase sensitivity to economic scenarios).
- 4) **Minimal asset-liability mismatch risk:** Liability and supporting asset cash flows are not

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<sup>1</sup> The American Academy of Actuaries is a 20,000-plus 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.

expected to produce material asset-liability mismatch risk under a range of economic conditions.

Alternatively, for SGICs and other similar contracts, exclusion may be appropriate where the following conditions are met:

- 1) **Contractual provisions materially limit tail risk exposure or pass risk back to the contract holder:** Features such as benefit-responsive withdrawal restrictions, market value adjustment mechanisms, experience rating mechanisms, or termination provisions can significantly reduce the likelihood of adverse, path-dependent outcomes under stressed scenarios. As a result, residual risks may be less aligned with the types of tail risks that a stochastic CTE70 framework is primarily intended to capture.
- 2) **Risks are structurally constrained:** Cash flows are driven by aggregate, plan-level activity across a large number of individual participants, and no single participant or contract holder generally has the discretion to exercise contractual features in a manner that would significantly alter contractual payments.
- 3) **Risk attachment point is beyond the reserve level:** Certain contracts may provide coverage only after plan or trust assets have been depleted before the insurer is required to make cash payments for residual benefits. In this case, the severity of the economic shock required for material payments to be made by the insurer may be beyond the level intended to be captured by the reserve framework.

The exclusion criteria above may result in certain payout annuity contracts that are currently within the scope of VM-22 being scoped out, particularly contracts exhibiting limited policyholder risk, minimal asset-liability mismatch risk, limited optionality, and relatively short durations. To the extent such contracts are excluded from VM-22, they would continue to be subject to applicable statutory reserving guidance outside of VM-22.

2. *If these products continue to be excluded from VM-22, how would interest rate risk, credit spread risk, reinvestment risk, withdrawal risk, and tail scenarios regarding book value and market value differences be addressed?*

While current CARVM does not have a mechanism to directly reflect the asset risks posed in this question, a variety of other regulatory and risk management processes exist that may help address these risks:

- **Asset Adequacy Testing (AAT):** Intended to capture asset risk and asset-liability mismatch risk; however, it may not fully capture tail scenarios.
- **Own Risk and Solvency Assessment (ORSA):** Intended to identify, measure, and manage all material risks.
- **Internal asset-liability management and other internal risk management frameworks:** These vary by company and may or may not surface risks in a timely manner as conditions evolve.
- **Product-specific and state-specific regulatory frameworks:** Certain products may already be subject to product-specific requirements (e.g., NAIC Model Regulation 695 for SGICs), as well

as state-specific statutes, regulations, filing requirements, actuarial review, or other regulatory oversight processes intended to address reserve adequacy, asset-liability management, and supporting asset risks. However, application may vary across states, potentially resulting in differences in regulatory treatment for similar products.

- **Regulatory audit:** May support or challenge the robustness and appropriateness of a company's processes; typically infrequent and may lag emerging or rapidly developing risks.

However, each of these processes may be less robust than a true quarterly PBR framework, particularly given differences in frequency, scope, and consistency of application. To the extent these processes are performed less frequently than PBR, or are applied differently across jurisdictions, emerging experience that impacts reserves and/or solvency may only become visible to management and regulators with a delay.

3. *Please describe the anticipated size and scope of costs for implementing these products? Do you believe the benefits of requiring VM-22 for these products outweigh the cost?*

Such costs may vary based on company-specific modeling capabilities, product design, and current reserving practices.

As noted in our prior comment letter<sup>2</sup>, bringing these products into VM-22 would require additional modeling, memorandum disclosures, audit review, and potentially updates to VM-22 guidance where product-specific assumptions do not currently exist.

For example, for GICs and Funding Agreements, implementation may require updates to valuation models, assumptions, governance processes, and controls, particularly for products with floating-rate guarantees, index-linked crediting features, or other nontraditional structures. Conversely, these products may derive greater benefit from improved consistency and a more explicit reflection of interest rate, credit spread, reinvestment, and broader asset-liability mismatch risks.

4. *What are potential impacts to reserve levels if scoping in these products?*

The impact may vary meaningfully across GICs, Funding Agreements, SGICs, and Stable Value Contracts depending on contract design, asset strategy, withdrawal provisions, and the degree of asset-liability mismatch risk. The Academy has not performed product-specific modeling to quantify potential reserve impacts. However, several factors may influence reserve outcomes if these products are brought within the scope of VM-22.

For GICs and Funding Agreements, VM-22 may result in reserves that are more responsive to interest rate, credit spread, reinvestment, and contract design risks, particularly for products with floating-rate guarantees, index-linked crediting features, or other nontraditional structures.

For SGICs and Stable Value Contracts, reserve impacts would likely depend on factors such as the relationship between contract value and market value, underlying asset portfolios, benefit-responsive withdrawals, and termination provisions.

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<sup>2</sup> Dated March 17, 2026, in response to the NAIC's exposure regarding VM-22 Funding Agreements GIC Stable Value.

As noted in our prior comment letter, current formulaic approaches may already produce reasonable reserve outcomes for certain products, particularly where risks are limited or addressed through existing statutory frameworks.

Thank you for your consideration of these comments. Please contact Marie Fabienne Amisial ([amisial@actuary.org](mailto:amisial@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