**NAIC VM-22 Field Test Participation Request**

**Background**

A field test is planned to begin in July 2024 for the proposed VM22, Requirements for Non-Variable Annuities framework. This field test serves to verify the proposed VM-22 framework is practical, auditable, and appropriate. That is, to ensure the new framework results in statutory reserves that appropriately reflect risk under adverse conditions, account for material risks inherent in product features and potential management actions, are consistent across similar features and risks given the same anticipated experience.

The objectives of the field test are to 1) measure the impact of the proposed reserve and capital frameworks relative to the current standards to ensure the frameworks work as intended and 2) inform decisions related to the proposed fixed annuity principle-based reserving (PBR) methodology. Key outstanding items the field test aims to resolve are the stochastic exclusion ratio test threshold, reinvestment guardrail mix, and the impact of the proposed standard projection amount (SPA) assumptions. See draft field test specifications and template for results to learn what will be required of participants.

**Participation in the Field Test**

Companies wishing to participate in the field test should contact Amy Fitzpatrick by April 15, 2024 at afitzpatrick@naic.org and return a filled-out survey (provided in Appendix I). The NAIC and American Academy of Actuaries will host weekly calls with participants and EY to support modeling inquiries during the field test, along with one-off modeling discussions for confidential questions as needed.

**Note:** Since the new VM-22 framework may have a material impact on reserves, it is necessary to have broad industry participation in the field test. NAIC staff will monitor the level of participation. If it is insufficient, regulators may contact companies to request their participation. All companies participating in the field test will be contacted by a regulator from a state in which they are licensed with details on field test requirements and a request to provide field test results to NAIC staff.

**Communication of Field Test Results**

American Academy of Actuaries staff and EY staff will compile aggregated results in a report that will not contain any company-specific or other company-identifiable information. VM-22 Subgroup open meetings will be held to discuss aggregate field test results.

**Confidentiality**

The participant data collected by NAIC staff and shared with American Academy of Actuaries staff and with EY staff will be protected under the Standard Valuation Law data practices provision in Minnesota Statutes Section 61A.25, subdivision 13 (5)(d).

**Appendix I – VM-22 Pre-Field Test Survey**

**Company Name:**

**NAIC Company Code:**

**Names and Email Addresses for Company Field Test Contacts:**

1. Please indicate with an “X” all calculations you plan to submit for the product types shown in the table below.

|  |  |
| --- | --- |
| **Product Type** | **Company Response** |
| Fixed Annuities with GLBs |  |
| Fixed Annuities without GLBs |  |
| Indexed Annuities with GLBs |  |
| Indexed Annuities without GLBs |  |
| Single Premium Immediate Annuities |  |
| Pension Risk Transfer |  |
| Structured Settlement Contracts |  |
| Deferred Income Annuities |  |
| Longevity Reinsurance |  |
| Other Life Contingent Payout (Immediate and Annuitizations) |  |
| Other Annuities |  |

1. Results will be requested on a post-reinsurance-ceded basis. Can the company also provide pre-reinsurance-ceded results? \_\_Yes / \_\_No.
2. Do you use hedging for any annuity products? \_\_Yes / \_\_No. If Yes, does the company explicitly model the hedge program or implicitly capture the impacts of hedging?
3. Does your company have “longevity reinsurance,” and is it more closely related to mortality-linked securities or an explicit reinsurance contract for annuities?
4. Does your company have modified guaranteed annuities? If so, would you value them as variable or fixed annuities?
5. Would your company be able to share results of reserve projections?
6. Does your company have the ability to provide results separately by issue year?