

Memo

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

From: Lynn Manchester, FSA, MAAA, Director, RRC
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Date: March 16, 2026

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

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 or 404-372-4421/veronika.cooper@riskreg.com if you or other members have any questions.