

Provide comments on the Guideline and the topics below by May 22, 2025:

- Examples of non-Primary Security that are admitted assets
- Scope size adjustment in italics under Section 2.A.iv.
- Ideas on handling the starting asset amount if there's a cession to a captive company resulting in, for example, a reserve decrease from \$100 to \$90 and then a retrocession from the captive to a reinsurer in another jurisdiction resulting in a reserve decrease from \$90 to \$75. Regulators would likely want to see analysis of the adequacy of the \$75.

AG ReAAT – 5/2/2025 exposure

Background

The NAIC Valuation Manual (VM-30) contains actuarial opinion and supporting actuarial memorandum requirements, including requirements for asset adequacy analysis.

State insurance regulators have identified the need to better understand the amount of reserves and type of assets supporting long duration insurance business that relies substantially on asset returns. In particular, there is risk that domestic life insurers may enter into reinsurance transactions that materially lower the amount of reserves and thereby facilitate releases of reserves that prejudice the interests of their policyholders. The purpose of this referral is to propose enhancements to reserve adequacy requirements for life insurance companies by requiring that asset adequacy ~~testing analysis~~ (AAA) use a ~~cash-flow testing~~cash-flow testing methodology that evaluates ceded reinsurance as an integral component of asset-intensive business.

This Guideline establishes additional safeguards within the domestic cedent to ensure that the assets supporting reserves continue to be adequate based on moderately adverse conditions.

Text

1. Effective date

This Guideline shall be effective for asset adequacy analysis of the reserves reported in the December 31, 2025, Annual Statement and for the asset adequacy analysis of the reserves reported in all subsequent Annual Statements.

Guidance Note: It is anticipated that the requirements contained in this Guideline will be incorporated into VM-30 at a future date, effective for a future valuation year. Requirements in the Guideline will cease to apply to annual statutory financial statements when the corresponding or replacement VM-30 requirements become effective.

2. Scope

This Guideline shall apply to all life insurers with:

A. Asset Intensive Reinsurance Transactions ceded to entities that are not required to submit a VM-30 memorandum to US state regulators in transactions established 1/1/2016 or later, except as stated in section 2.C., that meet any of the criteria determined by counterparty in subsections i through iv below:

- i. In excess of \$5 billion of reserve credit or modified coinsurance reserve
- ii. Combined reserve credit and modified coinsurance reserve in excess of:
 - (a) \$1 billion and
 - (b) ~~25%~~ of ceding company gross Exhibit 5 ~~gross~~-life insurance plus gross annuity reserves plus Exhibit 7 reserves and separate account reserves to the extent such reserves are included in the combined reserve credit and modified coinsurance reserve
- iii. Combined reserve credit and modified coinsurance reserve in excess of:
 - (a) ~~\$1500~~ million and
 - (b) 10% of ceding company gross Exhibit 5 ~~gross~~-life insurance plus gross annuity reserves plus Exhibit 7 reserves and separate account reserves to the extent such reserves are included in the combined reserve credit and modified coinsurance reserve
- iv. Combined reserve credit and modified coinsurance reserve in excess of:
 - (a) \$100 million and
 - (b) 20% of ceding company gross Exhibit 5 ~~gross~~-life insurance plus gross annuity reserves plus Exhibit 7 reserves and separate account reserves to the extent such reserves are included in the combined reserve credit and modified coinsurance reserve
- v. Combined reserve credit and modified coinsurance reserve in excess of 50% of ceding company gross Exhibit 5 ~~gross~~-life insurance reserves plus gross annuity reserves plus Exhibit 7 reserves and separate account reserves to the extent such reserves are included in the combined reserve credit and modified coinsurance reserve

~~{Potential for Section 5.H. exemption consideration using 5% in (ii)(b), \$500 M in (iii)(a), and \$100 M in (iv)(a) (higher threshold for inclusion), but inclusion regardless of size if 50% of gross reserves or 20% of gross premiums are ceded, along with wording edits}~~

Or

B. Asset Intensive Reinsurance Transactions ceded to entities that are not required to submit a VM-30 memorandum to US state regulators, regardless of transaction establishment date, ~~that results in significant reinsurance collectability risk~~ where failure of the reinsurer obligations to the ceding company potentially materially impair the ceding company's ability to meet its obligation to policyholders as determined according to the judgment of the ceding company's appointed actuary.

C. For transactions established 1/1/2016 through 12/31/2019 otherwise within the scope through Section 2.A., consideration for exemption can be requested from the domestic regulator:

- i. Based on criteria established in Sections 5.H.i., 5.H.ii., and 5.H.iii, or
- ii. if insurance policies included in the reinsurance transaction are primarily comprised of older business, issued earlier than 2010.

3. Definitions

- A. Alternative Run – At the option of the ceding company, additional cash-flow testing projections that could be provided in association with the Guideline and would potentially be in line with the spirit and intent of the Guideline.
- B. Asset Adequacy Analysis —An analysis of the adequacy of reserves and other liabilities being tested, in light of the assets supporting such reserves and other liabilities, as specified in the opinion.
- C. Asset Adequacy Reserves – Additional reserves determined by the appointed actuary based on an Asset Adequacy Analysis which indicates that current reserves and other liabilities are inadequate.
- D. Asset Intensive Reinsurance Transactions - Coinsurance arrangements involving life insurance products that transfer significant, inherent investment risk including credit quality, reinvestment, or disintermediation risk as determined by Appendix A-791 of the Life and Health Reinsurance Agreements Model Regulation.
- ~~EE.~~ Attribution Analysis – A step-by-step estimate of the proportion of reserve decrease from the pre-reinsurance U.S statutory reserve to Post-reinsurance Reserve attributable to factors such as differences in individual key assumptions.
- ~~DF.~~ Deficient Block – ~~When a~~ block of business ~~shows~~ showing a negative present value of ending surplus values in cash-flow testing scenarios using reasonable assumptions under moderately adverse conditions such that ~~additional~~ Asset Adequacy Reserves would be needed in the absence of aggregation or in light of wording in Section 5.B. Negative interim surplus values should be considered in the determination of whether a block is deficient with related documentation provided in accordance with Section 9.B.iii.(c).
- ~~EG.~~ Excess Capital – Assets available to support a block of business over and above the Post-reinsurance Reserve.
- ~~FH.~~ Excluded Assets – Assets that should be excluded from the Starting Asset Amount for the mandatory run-of-cash flow testing ~~cash-flow testing,~~ consisting of the following:
 - i. Assets permitted to be admitted by the ceding company's domiciliary regulator but which are otherwise non-admitted
 - ii. Unfunded solutions (e.g., Letters of Credit, Excess of Loss, Parental Guarantees, Affiliate Unfunded Financing Arrangements)
- I. Pre-reinsurance Reserve – The U.S. statutory reserve that would be held by the ceding company for the business reinsured in the absence of the reinsurance transaction.

~~GHJ.~~ Post-reinsurance Reserve – Following a reinsurance transaction, the amount of reserves held by the ceding company plus the amount of reserves held by the assuming company minus the amount of reserves held by the assuming company supported with ~~Excluded Assets~~assets other than Primary Security.

~~H.~~ ~~Primary Security – [As defined in Section 4.F. of Actuarial Guideline 48] (or replace with another term to describe a stable asset supporting reserves)~~

~~IK.~~ Reserve Decrease – If the Post-reinsurance Reserve is lower than the Pre-reinsurance Reserve, the difference between the two.

~~JL.~~ Similar Memorandum – An actuarial report that is not a VM-30 submission to a US state regulator and any supplemental materials that contain at least the following elements in a clear manner:

- i. Asset descriptions
- ii. Assumption documentation with indication that key assumptions are reasonably set.

Guidance note: Assumption documentation should be provided “such that an actuary reviewing the actuarial memorandum could form a conclusion as to the reasonableness of the assumptions” (from VM-30) and “(form a conclusion) on whether the assumptions contribute to the conclusion that reserves make provision for ‘moderate adverse conditions’” (from VM-30).

- iii. Methodology
- iv. Rationale for degree of rigor in analyzing different blocks of business.
- v. Include in the rationale the level of “materiality” that was used in determining how rigorously to analyze different blocks of business.
- vi. Criteria for determining asset adequacy and if those criteria are met.
 - (a) Indication of how key risks such as reinvestment risk, disintermediation risk, and other asset and liability risks are modeled and presented in an easy-to-review manner.
- vii. Changes from the prior year’s analysis
- viii. Summary of results
- ix. Conclusions
- x. Relevant aspects of Actuarial Guideline 53 documentation and analysis.
 - (a) Indication of whether high-yield assets are being modeled with a reasonable reflection of their risk.
- xi. Indication of the scope, e.g., assuming company wide, counterparty (ceding company) specific, transaction specific.
- xii. The actuarial report shall be prepared by a qualified actuary and be subject to relevant Actuarial Standards of Practice.

~~K~~M. Starting Asset Amount – The amount of assets inserted into the cash-flow testing model at the beginning of the projection.

~~L~~N. Sufficient Block – ~~When a~~ A block of business ~~shows~~ showing a positive present value of ending surplus in cash-flow testing scenarios using reasonable assumptions under moderately adverse conditions. ~~Negative interim surplus values should be considered in the determination of whether a block is deficient.~~

4. Risk Identification for Purposes of Establishing Analysis and Documentation Expectations

A. General guidance - The higher the risk, the more rigorous and frequent the analysis and documentation that should be ~~performed~~ prepared by the ceding company's appointed actuary.

B. Relevant risks – For the purpose of determining the amount of rigor and frequency of analysis and documentation, relevant risks include one or more of the following:

i. A VM-30 actuarial memorandum not being provided by the assuming company to a U.S. state regulator.

ii. A significant Reserve Decrease in relation to the Pre-reinsurance Reserve.

iii. A significant use of ~~non-Primary Security~~ Excluded Assets to support reserves.

iv. ~~Significant collectability~~ Risk where failure of the reinsurer obligations to the ceding company potentially materially impair the ceding company's ability to meet its obligation to the policyholder

~~associated with the reinsurer,~~ for reasons including:

(a) Rating of counterparty

(b) Capital position and trend of capital position

(c) Regulatory actions against counterparty

(d) Liquidity ratios

(e) Late payments on the agreement

(f) Decline in quality of invested assets

C. Risk mitigation - Any potential risks or risk mitigants associated with protections such as trusts or funds withheld, may be discussed and considered.

~~{A process would need to be developed involving approval of less-rigorous analysis for treaties that would otherwise be in the scope, including establishment of criteria and consideration from the domestic state with assistance from VAWG}~~

D. Risk identification for this purpose may involve reinsurance transactions within or outside the U.S.

5. Analysis and Documentation Expectations in Light of Risks

- A. Generally, ~~cash-flow testing~~cash-flow testing the Post-reinsurance Reserve is most appropriate when there is higher risk, and less rigorous analysis may be appropriate if there is lower risk. Details of cash-flow testing expectations related to this Guideline are provided in Section 6.
- i. Cash-flow testing is expected for treaties falling within the Scope of the Guideline, stated in Section 2, except in certain cases described in Section 5.H.

Guidance note: In a case where a portion of business ceded to a counterparty would not be permitted to be aggregated with other business ceded to that counterparty under the requirements of this Guideline, and for which the reserve credit for that business constitutes less than 5% of the total reserve credit or modified coinsurance reserve with that counterparty, such business may be excluded from this Guideline's cash-flow testing requirements.

- B. The appointed actuary should consider the analysis required to be ~~performed~~prepared by this Actuarial Guideline, along with other relevant information and analysis in forming their opinion regarding the potential need for ~~additional reserves~~Asset Adequacy Reserves. In the event that the appointed actuary believes that ~~additional reserves~~Asset Adequacy Reserves are required (based on their application of appropriate actuarial judgment), then the appointed actuary should reflect that in their Actuarial Opinion.

This Guideline does not include prescriptive guidance as to whether ~~additional reserves~~Asset Adequacy Reserves should or should not be held. Such determination is up to the appointed actuary, and the domestic regulator will continue to have the authority to require additional reserves as deemed necessary.

C. Examples of less rigorous analysis include:

- i. Gross premium valuation or other asset adequacy analysis techniques described in Actuarial Standard of Practice (ASOP) #22, supplemented by an Actuarial Guideline 53-type analysis for the counterparty as well as ~~Primary Security~~Excluded Assets considerations.
- (a) As stated in ASOP #22, gross premium valuation would tend to be inappropriate if there are significant asset risks or disintermediation risk with potential sales of assets needed to support cash-demand liabilities such as deferred annuities.

ii. Attribution Analysis

- D. Aggregation of analysis performed and results presented may be allowed between treaties for a single counterparty subject to the considerations in Section 8.
- E. The domestic commissioner continues to have the option to require ~~cash-flow testing~~cash-flow testing for individual treaties or counterparties, as they may deem necessary to understand and evaluate risk.
- F. ~~Where information on cash flows or any aspect of the analysis is not available, the appointed actuary may use reasonable simplifications, approximations, and modeling efficiency techniques if the appointed actuary can demonstrate that the use of such techniques does not make the analysis results more favorable.~~

~~GF.~~ A Similar Memorandum may be submitted as an appropriate alternative to cash-flow testing in some instances, if the Similar Memorandum is easily readable for review of the risks and analysis related to the scope of this Guideline, and based on the Similar Memorandum the cedant's domestic regulator finds, with the assistance of the Valuation Analysis (E) Working Group, that they are able to determine whether the assets are adequate to support the liabilities under moderately adverse conditions.

~~HG.~~ In certain cases, an exemption from cash-flow testing may be provided by the ceding company's domestic regulator according to the following criteria:

- i. The assuming company is not:
 - (a) An entity that otherwise meets the NAIC Model Act 440 definition of an Affiliate or meets the NAIC classification as a related party or;
 - (b) An entity for which greater than 25% of the assuming reinsurer's reserves have been assumed from the ceding company or entities in the same group as the ceding company or;
 - (c) An entity where the cedant or another entity in the cedant's group has 1% or greater ownership of the assuming company or, and;
 - ~~(d) An entity for which any of the criteria in items (a) through (c) would have been met at any point on or after 1/1/2015, and~~
- ii. Risks from Section 4 are demonstrated to be non-substantial (including consideration of risk mitigants in section 4.C.), and
- iii. Attribution Analysis of any reserve decrease (including ~~non-Primary Security~~Excluded Assets counting as part of the reserve decrease) is contained in the submission unless supporting analysis is provided to conclude that each of the applicable risks stated in Section 4 is immaterial, along with explanatory commentary supporting this conclusion, and
- iv. The Pre-Reinsurance Reserve associated with all counterparties within a group is less than \$5 Billion.

6. Cash-flow Testing Details

A. This Section contains details on cash-flow testing expectations that are relevant only to this Guideline.

B. Starting Asset Amount

- i. The lower the Starting Asset Amount, the lower the ending surplus in the projection, the more likely an actuary would determine ~~additional reserves~~Asset Adequacy Reserves would be prudent, and therefore the more conservative the analysis.
- ii. The Starting Asset Amount basis (book value or market value) for the assets backing the reinsured business should be consistent with the basis used in the assuming company's balance sheet.

- iii. For one mandatory run of cash-flow testing, the Starting Asset Amount shall be equal to the Post-Reinsurance Reserve.
 - (a) If the Post-Reinsurance Reserve held by a non-affiliate is unavailable, then consider principles in Section 6.B.iv.(a) regarding the roles of reserves, Excess Capital, and collateral assets, ~~and Primary Security~~ in establishing the Starting Asset Amount.
- iv. An Alternative Run of cash-flow testing may also be provided, at the option of the ceding company, using a Starting Asset Amount equal to an alternative amount higher than the Post-Reinsurance Reserve. The appointed actuary should provide justification in their documentation about the appropriateness of the Starting Asset Amount in the Alternative Run.
 - (a) For the purposes of this paragraph, principles that would tend to lead to a higher Starting Asset Amount include:
 - (1) ~~Primary Security~~ Dedicated assets, other than Excluded Assets, that support the reinsured business.
 - (2) ~~Primary Security~~ Assets are demonstrated to be available to support the reinsured business.
 - (3) Explanation of the use of any ~~non-Primary Securities~~ Excluded Assets used in the analysis associated with the Alternative Run.
 - (4) Appropriate Excess Capital is demonstrated to be available in addition to the Starting Asset Amount.
 - (A) If little or no Excess Capital is available in addition to the amount equal to the Starting Asset Amount, then the Starting Asset Amount should be reduced such that appropriate Excess Capital would be available to support the block in beyond moderately adverse conditions (conditions contemplated in the US risk-based capital (RBC) system as stated in the RBC For Insurers Model Act).
 - (b) In lieu of an optional Alternative Run, the ~~C~~ceding company could provide an explanation of the amount and type of assets in excess of the Post-Reinsurance Reserve that would be available to support the cash-flow tested business.
 - (c) The list below ~~specifies~~ provides examples of Alternative Run cash-flow testing approaches which the Task Force regards as being most consistent with these principles:
 - (1) In one example of an affiliated 100% coinsurance transaction:
 - (A) The amount of funds withheld assets exceeds the Post-reinsurance Reserve.
 - (B) Excess capital supported by ~~Primary Security~~ assets commensurate with U.S. risk-based capital standards, is demonstrated to be held and dedicated to and available to the support of the reinsurance business, if needed.
 - (C) For the Alternative Run, the Starting Asset Amount may equal the funds withheld amount.

(2) In another example of an affiliated 100% coinsurance transaction:

- (A) The funds withheld assets exceed the reserve held at the assuming company.
- (B) Excess capital supported by ~~Primary Security~~assets commensurate with U.S. risk-based capital standards, is not demonstrated to be held and dedicated to and available for the support of the reinsurance business, if needed.
- (C) For the Alternative Run, the Starting Asset Amount may equal the funds withheld amount minus a portion of the funds withheld amount set aside to support capital needs.
 - (1) It is possible the Starting Asset Amount in this example would exceed the Post-reinsurance Reserve.

(3) In an example of a non-affiliated 100% coinsurance transaction:

- (A) The funds withheld assets exceed the reserve held at the assuming company.
- (B) Excess capital is available (perhaps determined with the assistance of the domestic regulator) but is not necessarily dedicated to support the reinsurance business.
- (C) For the Alternative Run, the Starting Asset Amount may equal the funds withheld amount minus an amount available to support capital needs.
 - (1) It is possible the Starting Asset Amount in this example would exceed the Post-reinsurance Reserve.

(d) The Starting Asset Amount on the Alternative Runs should be modified as needed to comply with the intent of the Guideline that dedicated assets and appropriate Excess Capital be established to support the payment of future claims and related expenses.

(e) Include a detailed justification for using a Starting Asset Amount for an Alternative Run that is higher than the Post-reinsurance Reserve.

- v. ~~The Starting Asset Amount shall be reduced by the amount of any non-Primary Security supporting the Post-Reinsurance Reserve or alternative amount. An exception is for an Alternative Run when inclusion of non-Primary Security is explained, justified, and quantified.~~

C. Projections, key assumptions, and ending results shall be documented, per Valuation Manual VM-30 and Actuarial Guideline 53 requirements. Certain elements shall be placed in a template format [to be developed].

D. Projection on interest rate scenarios, such as the New York 7 as described in Appendix 1, that allow for easy to review impact of reinvestment and disintermediation risks should be performed and explanations of how key risks are analyzed should be documented. If the ceding company projects New York 7 scenarios for its VM-30 filing, it is highly encouraged that the ceding

company project and present the results of these scenarios for the filing associated with this guideline.

- E. Explanation of margins on assumptions, including consideration of volatility in underlying factors, should be provided, along with results of appropriate sensitivity tests.
- F. Addressing of significant risks (including those beyond interest rate risk) should be modeled and explained.
 - i. For example, if illiquidity risk of assets results in significant additional returns, scenarios should be provided demonstrating how those risks can result in losses, even if the ceding company appointed actuary opines that such scenarios are beyond moderately adverse.
 - ii. This modeling helps demonstrate that the appointed actuary understands the high-yield assets, their risks, and the loss potential in certain scenarios.
- G. For business being valued under PBR, documentation of the pre-reinsurance PBR reserve determined for the ceded block (calculated as required by VM-20, VM-21 or VM-22), that reflects both the liabilities and supporting assets under moderately adverse conditions, is appropriate in lieu of separate cash-flow testing for purposes of this guideline. The pre-reinsurance PBR reserve would then be compared to the post-reinsurance reserve as defined by this guideline in determining whether there is a deficiency or sufficiency for the block.
- H. If the ceding company has knowledge of the actual assets used to support the Starting Asset Amount, those assets should be modeled. If the ceding company does not have knowledge of the actual assets used to support the Starting Asset Amount, then the ceding company should:
 - i. Use reasonably conservative (consistent with moderately adverse conditions) assets and asset-related assumptions in the cash-flow testing projections;
 - ii. Add commentary explaining how the modeling of assets and asset-related assumptions is conservative (consistent with moderately adverse conditions); and
 - iii. Provide commentary on what the ceding company knows about the assets or investment strategy.
- I. In any other areas where strict technical compliance with cash-flow testing requirements is not possible, a best-efforts approach is expected, along with an explanation of decisions made by the appointed actuary regarding the handling of lack of any strict technical compliance.

7. Attribution Analysis

- A. To perform an Attribution Analysis, for each relevant transaction, start with the Pre-reinsurance Reserve and document adjustments from that reserve to get to the Post-reinsurance Reserve.
 - i. Adjustments may include the following:
 - (a) Differences in key assumptions
 - (1) Policyholder behavior assumptions
 - (2) Mortality or longevity assumptions
 - (3) Investment return assumptions versus US statutory discount rates

- (4) Other key assumptions, e.g., taxes
- (b) Other reserve adjustments due to:
 - (1) Removal of cash surrender value floor
 - (2) Market value / book value difference due to change in interest rates
 - (3) Moderately adverse to less adverse (or best estimate) conversion
 - (4) Other, including other changes to fair value or future cash flows
- ii. Please comment on the order of the Attribution Analysis adjustments, where a different order could significantly change the impact of an adjustment.
- B. Use the template *{consider the ACLI-proposed attribution analysis template}* or provide similar information in a user-friendly format explaining reasons for any reserve decrease.
- C. It may be helpful to perform ~~a~~Attribution ~~a~~Analysis first between the Pre-reinsurance Reserve and another basis utilized by the cedant (e.g., the cedant's economic basis for the portion of the block ceded) and then from that basis to the Post-reinsurance Reserve.
 - i. Please ensure comparison of dollar amounts of different reserves reflect the combined reserve held by the ceding and assuming companies.
- D. Provide a narrative explanation, if necessary, to accompany the numbers provided in the attribution analysis template or similar format.
- E. Attribution ~~a~~Analysis is preferred, but not required, if cash-flow testing in accordance with this Guideline is already being performed for a treaty. Attribution ~~a~~Analysis is required if a treaty otherwise within the scope of Section 2.A. is exempted through Section 2.C. or Section 5.H unless supporting analysis is provided to conclude that the risks stated in Section 4 are immaterial, along with explanatory commentary supporting this conclusion.

8. Aggregation Considerations

- A. When determining whether a block is a Deficient Block or a Sufficient Block, cash-flow testing should be performed separately ~~1) by counterparty, and 2) reinsurance transaction by significant product lines, consistent with, for example, the aggregation standards in VM-20, VM-21, and VM-22, and 3) by business on a PBR vs. non-PBR framework.~~
- B. Aggregation of the deficient and/or sufficient results determined following Section 8.A, through subsidy of a Deficient Block(s) by a Sufficient Block(s) should only apply within a counterparty for any required testing.
- C. Provide an explanation if ~~additional Asset Adequacy analysis reserves-Reserves~~ are not posted related to a Deficient Block, where the reason is aggregation with a Sufficient Block or consistency with the guidance provided in Section 5.B.
- D. Where applicable, explain the stability and reliability of a Sufficient Block when it is being used to subsidize a Deficient Block.

- E. In appropriate instances, only one cash-flow testing run needs to take place for multiple similar treaties ~~covering the same product type and on the same PBR or non-PBR basis~~ in effect within the scope timeframe of the Guideline with the same counterparty.

9. Reporting, Review, and Templates

Guidance Note: The NAIC Valuation Analysis (E) Working Group (VAWG) shall serve as a resource in the targeted review of analysis required by this Guideline. VAWG shall provide periodic reports identifying outliers and concerns regarding the analysis to help inform regulators on the effectiveness of this Guideline in meeting the objectives stated in the Background section.

- A. The documentation, sensitivity test results, and ~~A~~tribution ~~A~~analysis referenced above are to be incorporated as a separate, easily identifiable section of the actuarial memorandum required by VM-30 or as a standalone document, with a due date of April 1 following the applicable valuation date. The domiciliary commissioner may approve a later due date for companies seeking a hardship extension. The separate section or standalone document shall be available to other state insurance commissioners in which the ceding company is licensed upon request to the ceding company. The confidentiality and information provisions in state adoptions of NAIC Model 820 regarding the actuarial memorandum are applicable to the separate section or standalone document required by this Guideline.
- B. Required documentation, as relevant, includes:
- i. Information on treaties
 - (a) Information from Schedule S of the Annual Statement
 - (1) Assuming company name and jurisdiction
 - (2) Type (coinsurance, ModCo, etc.)
 - (3) Size metrics, as applicable
 - (A) Reserve credit
 - (B) Trust amount
 - (C) ModCo account amount
 - (D) Funds withheld account amount
 - (4) Type of insurance business covered
 - (b) Pre-Reinsurance Reserve
 - (c) Post-Reinsurance Reserve, including any explanation of handling of cases, for example where the ceding company reserve may be based on book value and the assuming company reserve may be based on market value.
 - (d) Alternate Run Starting Asset Amount

- (1) Explanation of a Starting Asset Amount that exceeds the Post-Reinsurance Reserve, including any alignment with:
 - (A) Principles stated in Section 6.B.iv.(a) or
 - (B) Examples provided in Section 6.B.iv
 - (2) Explanation of an amount not aligned with the principles or examples in Section 6.B, including consideration of any capital in excess of the Starting Asset Amount to support the payment of future claims and related expenses.
 - (e) If applicable and significant to understanding risk and exposure:
 - (1) Collateral description
 - (2) Availability of trust account funds to the cedant
- ii. Cash-flow testing assumption information
 - (a) Net asset yield assumptions
 - (b) Mortality assumption overview, as percentage of a common industry table
 - (c) Lapse assumption overview, including where applicable, base and dynamic lapse rates impacting reinvestment risk in decreasing interest rate scenarios and disintermediation risk in rising interest rate scenarios
 - (d) Benefit utilization and other policyholder behavior assumption overview
 - (e) Overview of other key assumptions impacting reserve adequacy
 - (f) Description of margins in assumptions
 - (e) If significant to understanding risk and exposure:
 - (1) Information on assets and related assumptions by asset type consistent with Actuarial Guideline 53 templates (if assets are significantly different than provided in the [ceding](#) company's Actuarial Guideline 53 filing)
 - (2) Mortality assumption details such as rates by age and duration and any improvement factors
 - (3) Lapse assumption details including rates by age and duration
- iii. Cash-flow testing results
 - (a) Present value of ending surplus for the level interest rate scenario and a range of other scenarios to capture key risks and cover moderately adverse scenarios
 - (1) Present value of ending surplus for the New York 7 scenarios or other easy to review results showing the impact of reinvestment and disintermediation risks
 - (b) Sensitivity test results
 - (1) For example related to mortality, lapse, benefit utilization, and asset underperformance

- (c) Interim cash-flow testing negative results
 - (1) Narrative and summary
 - (2) Negative surplus by year where significant
 - (3) Explanation of how interim negative results are addressed
 - (d) Provide any narrative explanation to accompany the numerical results, including support for decisions to hold or not hold additional asset adequacy analysis reserves.
- iii. Attribution ~~a~~Analysis
- (a) A step-by-step estimate of the proportion of Reserve Decrease attributable to factors such as differences in individual key assumptions used in the Pre-Reinsurance Reserve versus Post-Reinsurance Reserve.
 - (b) Present the results in the template *{consider the ACLI-proposed attribution analysis template}* or in a user-friendly format providing similar information as in the template.
- iv. Risk identification
- (a) Explanation of any ~~non-Primary Security~~Excluded Assets supporting the Post-Reinsurance Reserve
 - (b) Explanation of any concerns regarding reinsurance collectability
 - (c) Explanation of any risk mitigants if pursuing an exemption from cash-flow testing as contemplated in Section 5.H.
 - (d) Any regulatory solvency ratio standards or related expectations mentioned in the reinsurance contract.
- v. If performing other analysis, present and describe results as appropriate.
- C. The following sample template worksheets adopted by the Life Actuarial (A) Task Force (LATF) are available on the LATF web page (https://content.naic.org/cmte_a_latf.htm) under the “Documents” tab: *{To be discussed following the adoption of the base Guideline}*
- i. Company Information
 - ii. Counterparty
 - iii. Risk Identification
 - iv. Counterparty Portfolio
 - v. Asset Yields – Ceding
 - vi. Asset Yields – Assuming
 - vii. ~~Cash Flow Testing~~Cash-Flow testing
 - viii. Attribution – Product x

ix. Assumptions – Product x

x. PADs

Appendix 1 – New York 7 Interest Rate Scenarios

Excerpt from Section 95.10(d) of New York Regulation 126

- (1) ... the appointed actuary must consider in the analysis the effect of at least the following interest rate scenarios:
 - (i) level with no deviation;
 - (ii) uniformly increasing over 10 years at a half percent (0.5%) per year and then level;
 - (iii) uniformly increasing at one percent per year over five years and then uniformly decreasing at one percent per year to the original level at the end of the 10 years and then level;
 - (iv) an immediate increase of three percent and then level;
 - (v) uniformly decreasing over 10 years at a half percent (0.5%) per year and then level;
 - (vi) uniformly decreasing at one percent per year over five years and then uniformly increasing at one percent per year to the original level at the end of 10 years and then level; and
 - (vii) an immediate decrease of three percent and then level.
- (2) For these and other scenarios which may be used, projected interest rates for a five-year treasury note need not be reduced beyond the point where such five-year treasury note yield would be at 50 percent of its initial level.