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Insurance
Week 2026

US Statutory Regulatory
Developments Impacting
Offshore Reinsurance

May 13, 2026



Meet our Presenters



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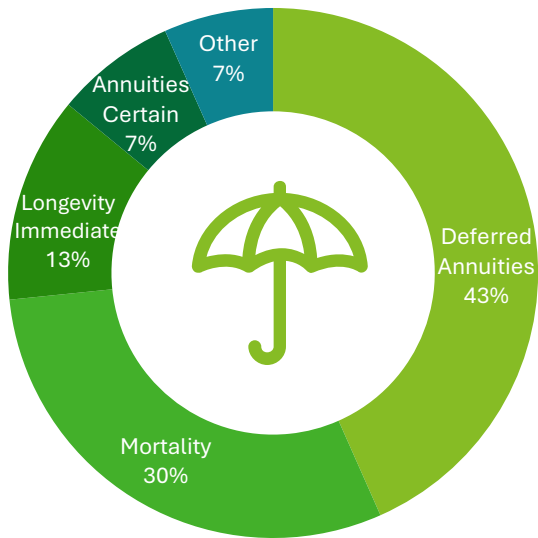
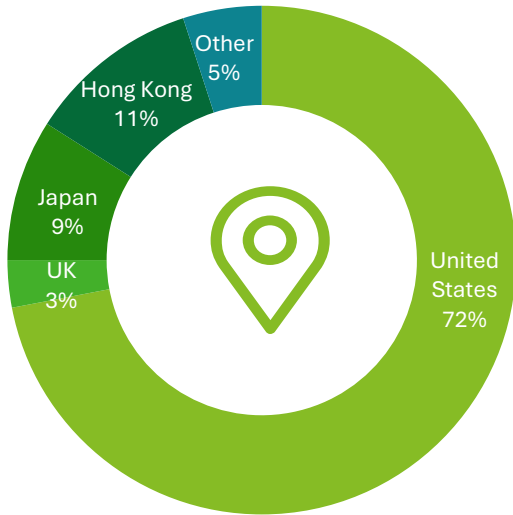


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US Regulatory Changes - Overview



Distribution of Reserves in Bermuda

AG55

Beginning with 2025 year-end reporting, AG55 requires insurers to perform more **rigorous Asset Adequacy Testing** on certain reinsured business. It particularly applies to U.S. life insurers and reinsurers that **cede asset-intensive business offshore**. In practical terms, AG 55 is intended to answer “if an insurer transfers liabilities to a reinsurer, are there actually enough assets and collateral backing those promises under adverse conditions.”

VM-22

VM-22 is a new **principle-based reserving** framework by the NAIC for **non-variable annuities**, outlined in the Valuation Manual. VM-22 applies to accumulation annuities, payout annuities, and longevity reinsurance contracts. VM-22 replaces factor-based methods with **stochastic modeling** and integration of **asset and liability projections** in the calculations.

US Regulatory Changes – VM-22



Updated Reinvestment Guardrails – Adopted Spring 2026

Asset Class	VM-20 (prior)	VM-21 (prior)	VM-22 (prior)	Updated Guardrails
AAA			5%	5%
AA	50%	50%	15%	15%
A	50%	50%	80%	40%
BBB				40%

VM-22 Reinvestment Guardrails for PRT *[Exposure: March 2026]*
 This reinvestment guardrail is 100% BBB plus a 50 bp illiquidity spread increase. There is discussion around the need for companies to support this additional 50bp illiquidity spread with actual asset experience with VM-31 disclosure.

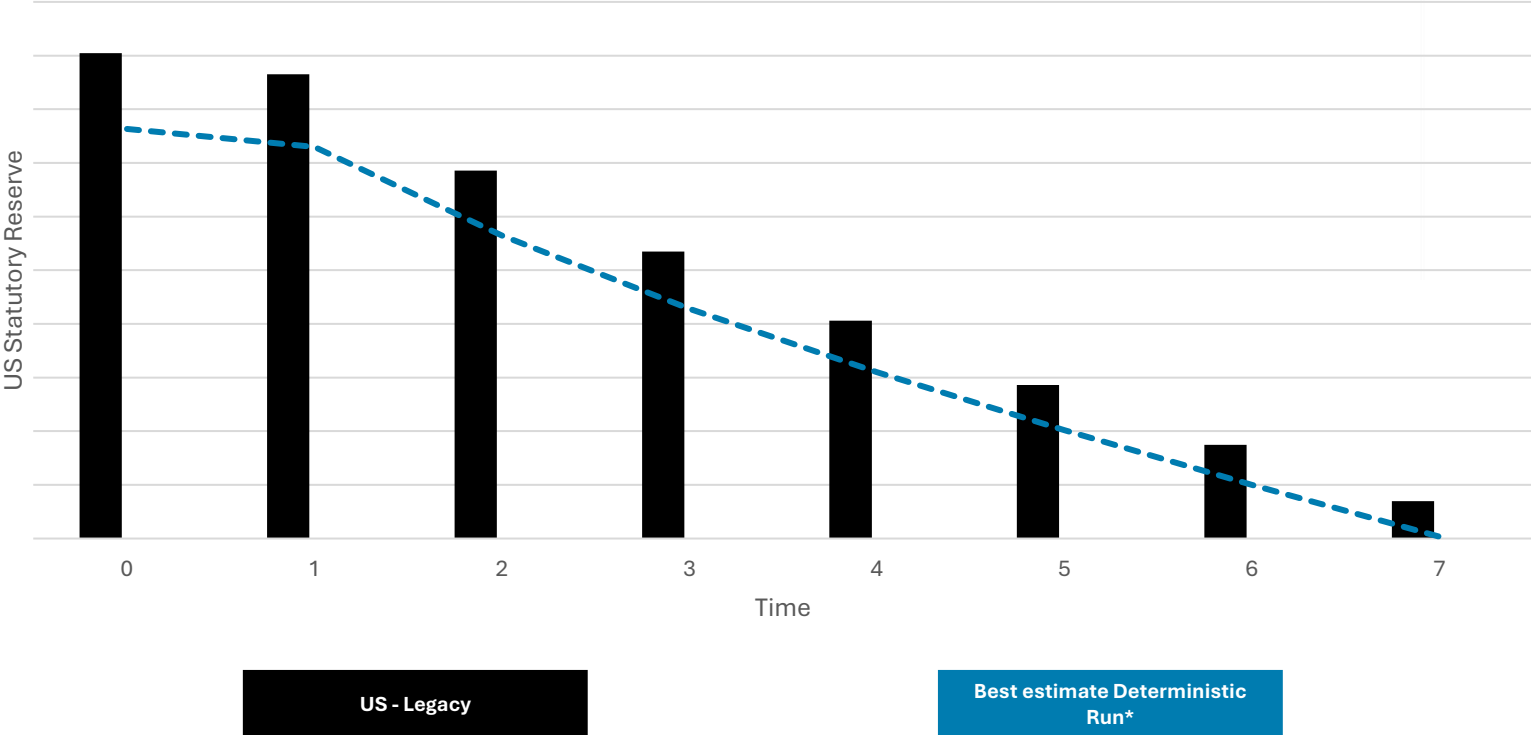
C-3 Phase I discounting update *[Exposure: March 2026]*
 The LRBC exposure will reflect an update to the discounting formula from the 1-year US Treasury to the 10-year US Treasury, which was an important priority for members as an interim step towards an updated C-3 Phase I framework.

VM-22 retroactivity / application to in-force business *[Concept Stage — 90-day exposure expected]*
 LATF discussed how VM-22 should apply to in-force contracts. An optional path is supported in concept back to January 1, 2017. Currently VM-22 only applies to new business.

US Regulatory Changes – VM-22



Impact of moving from Legacy CARVM to VM-22



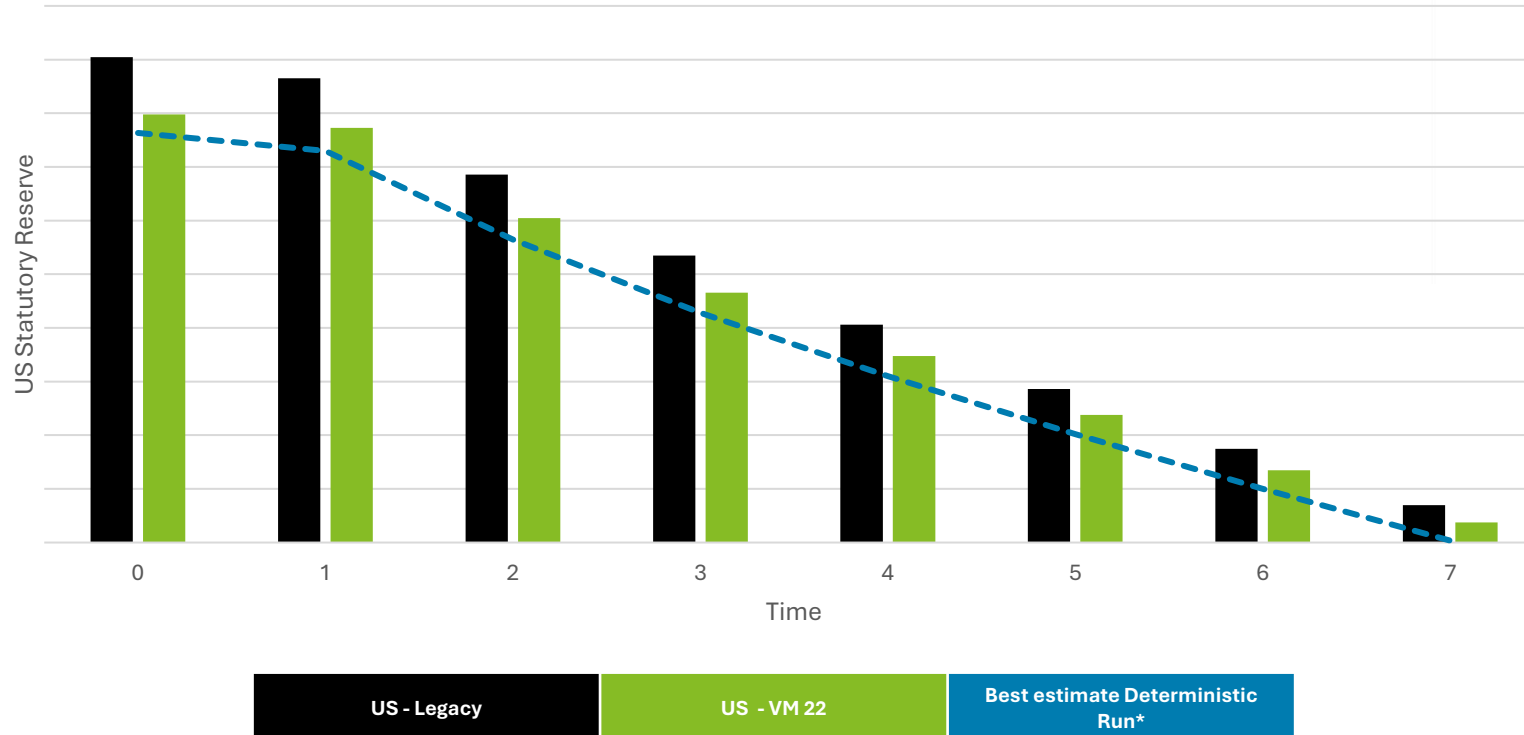
- **FIA** sold at the time zero (2023) with a **GMWB** with a 6% rollup rate. Modelled using the prescribed “worst-case scenario” approach under **legacy CARVM**.
- VM-22 results will be shown under **100 stochastic scenarios** to demonstrate the asset/liability interaction.

**based on best estimate decrements and a spread on the risk-free rate*

US Regulatory Changes – VM-22



Impact of moving from Legacy CARVM to VM-22



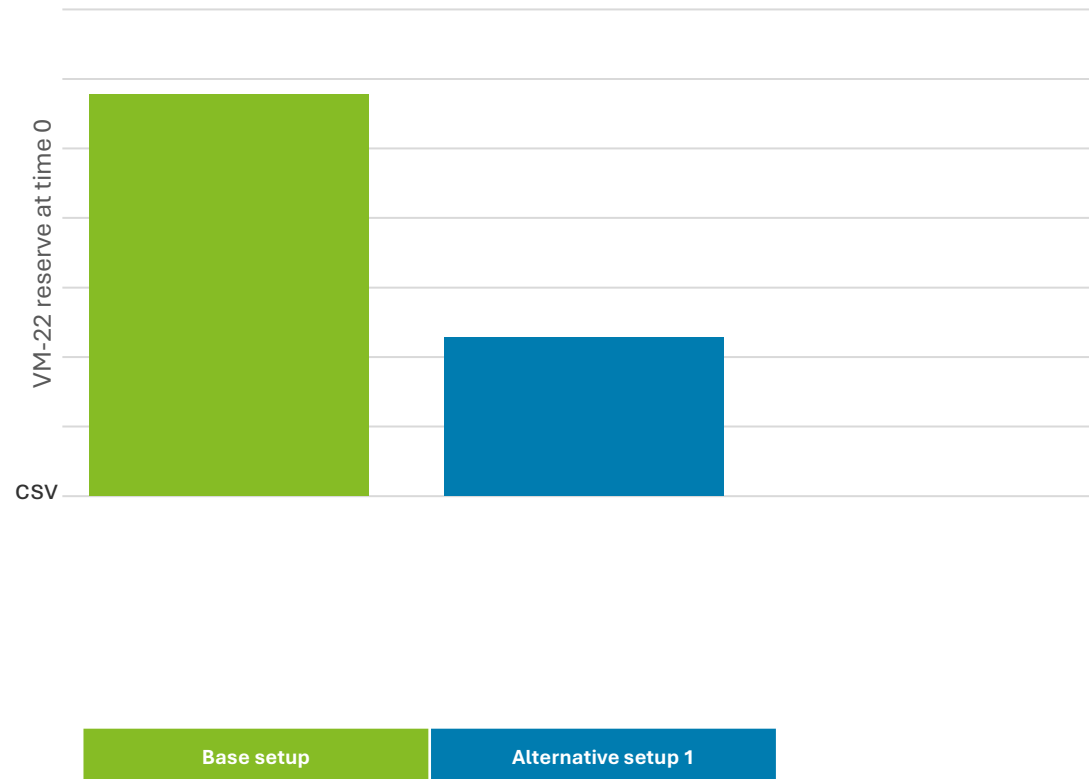
- **Reserves for FIA products are generally less under a VM22 regime and closer to the cash surrender value**, especially in cases where assets and liabilities are well-matched. This is due to the overly punitive “worst-case scenario” approach under legacy CARVM.
- Allowance for **lapses** under VM-22 as well as **company-based experience data** with **prudence** as opposed to prescribed decrements.
- Starting assets, set equal to the **account value**, for this set of scenarios have a **shorter duration** than the liabilities, follow the insurer’s initial investment strategy at time zero, and reinvestment according to the **old guardrails**.

**based on best estimate decrements and a spread on the risk-free rate*

US Regulatory Changes – VM-22



Factors impacting VM-22 reserve



- **Base setup:** Starting assets, set equal to the **account value**, for this set of scenarios have a **shorter duration** than the liabilities, follow the insurer’s initial investment strategy at time zero, and reinvestment according to the **old guardrails**.
- **Alternative setup 1:** Starting assets, set equal to the **account value**, for this set of scenarios have a **well-matched duration** to the liabilities, follow the insurer’s initial investment strategy at time zero, and reinvestment according to the **old guardrails**.

US Regulatory Changes – VM-22



Factors impacting VM-22 reserve



- **Base setup:** Starting assets, set equal to the **account value**, for this set of scenarios have a **shorter duration** than the liabilities, follow the insurer’s initial investment strategy at time zero, and reinvestment according to the **old guardrails**.
- **Alternative setup 2:** Starting assets, set equal to the **account value**, for this set of scenarios have a **shorter duration** to the liabilities, follow the insurer’s initial investment strategy at time zero, and reinvestment according to the **new guardrails**.



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