**Life Actuarial (A) Task Force/ Health Actuarial (B) Task Force**

**Amendment Proposal Form**

1. Identify yourself, your affiliation and a very brief description (title) of the issue.

Staff of Office of Principle-Based Reserving, California Department of Insurance,  
 Move VM-02 Definitions to VM-01, Add in currently “TBD” definition.

2. Identify the document, including the date if the document is “released for comment,” and the location in the document where the amendment is proposed:

Valuation Manual (January 1, 2019 edition), Section II, VM-01, VM-02 Sections 3-5

3. Show what changes are needed by providing a red-line version of the original verbiage with deletions and identify the verbiage to be deleted, inserted or changed by providing a red-line (turn on “track changes” in Word®) version of the verbiage. (You may do this through an attachment.)

See attached Appendix. These proposed changes are for clarification only and as such are **non-substantive.**

4. State the reason for the proposed amendment? (You may do this through an attachment.)

See attached Appendix.

NAIC Staff Comments:

|  |  |  |  |
| --- | --- | --- | --- |
| **Dates:** Received | Reviewed by Staff | Distributed | Considered |
|  |  |  |  |
| **Notes:** Amendment Proposal 2018-41 (CA APF BT) Updates 11/3/18 | | | |

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#### Appendix

#### ISSUE:

* The terms defined in VM-02 are also used outside of VM-02, and would be better located in VM-01.
* The Definition of Ordinary Life is currently “To be Completed” in the 2019 Valuation Manual.

#### SECTION:

Section II, VM-01, VM-02 Sections 3-5

#### REDLINE:

**Section II D.2 Footnote**

2 Premiums are measured as direct plus reinsurance assumed from an unaffiliated company from the ordinary life line of business reported in the prior calendar year life/health annual financial statement, Exhibit 1, Part 1, Column 3, “Ordinary Life Insurance” excluding premiums for preneed life contracts and excluding amounts that represent the transfer of reserves in force as of the effective date of a reinsurance assumed transaction and are reported in Exhibit 1 Part 1, Column 3 as ordinary life insurance premium. Preneed is as defined in VM-01.

**VM-01 (Add Definitions)**

* The term “industrial life insurance” means that form of life insurance written under policies under which premiums are payable monthly or more often, bearing the words “industrial policy” or “weekly premium policy” or words of similar import imprinted upon the policies as part of the descriptive matter, and issued by an insurer that, as to such industrial life insurance, is operating under a system of collecting a debit by its agent.
* The term “preneed” means any life insurance policy or certificate that is issued in combination with, in support of, with an assignment to or as a guarantee for a prearrangement agreement for goods and services to be provided at the time of and immediately following the death of the insured. Goods and services may include, but are not limited to, embalming, cremation, body preparation, viewing or visitation, coffin or urn, memorial stone, and transportation of the deceased. The status of the policy or contract as preneed insurance is determined at the time of issue in accordance with the policy form filing. (Note: Preceding definition taken from the *Preneed Life Insurance Minimum Standards for Determining Reserve Liabilities and Nonforfeiture Values Model Regulation* [#817].) The definition of preneed shall be subject to that definition of preneed in a particular state of issue if such definition is different in that state.
* The term “ordinary life insurance” means any individual life insurance policy that does not meet the definition of industrial life insurance or credit life insurance.

**VM-02 Table of Contents**

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#### VM-02 Section 3 (Delete Section)

**VM-02 Section 4 (Header Update)**

**Section 3: Interest**

**VM-02 Section 5 (Header Update)**

**Section 4: Mortality**

#### VM-02 Section 4.A.

1. Ordinary Life Insurance Policies
   1. For ordinary life insurance policies issued on or after Jan. 1, 2017, and prior to Jan. 1, 2020, except as provided below in Section 4.A.2 and in Section 4.B or in Section 4.E below, the minimum nonforfeiture standard shall be determined using the 2001 CSO Mortality Table as defined in VM-M of this manual and subject to the requirements defined in VM-A-814 in VM-A of this manual for using this mortality table and subject to minimum standards. The 2001 CSO Preferred Class Structure Tables shall not be used to determine the minimum nonforfeiture standard.
2. Except as provided in Section 4.B and Section 4.E, and subject to the requirements stated in a and b below, the 2017 CSO Mortality Table as defined in VM-M Section 1.H:

(Note: Yellow highlighted text is not from 1/1/2019 *Valuation Manual* but rather from pending APF 2018-06)

#### REASONING:

* The terms defined in VM-02 used outside of VM-02, and so would be better located in VM-01.
* The Definition of Ordinary Life is currently “To be Completed” in the 2019 Valuation Manual.