**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 – Address maturity lengths in alternative investment strategy

1. 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), VM-20 Section 7.E.1.g

1. 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.

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

See attached Appendix.

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NAIC Staff Comments:

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| --- | --- | --- | --- |
| **Dates:** Received | Reviewed by Staff | Distributed | Considered |
|  |  |  |  |
| **Notes:** VM APF 2018-53 (CA APF-CD) revised 11/13/18 |

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# Appendix

#### ISSUE:

#### It may not be completely clear that in setting up the alternative investment strategy, maturity lengths of the alternative assets should be comparable to those in the company’s real investment strategy.

#### SECTION:

#### VM-20 Section 7.E.1.g

#### REDLINE:

 g. Notwithstanding the above requirements, the model investment strategy and/or any non-prescribed asset spreads shall be adjusted as necessary so that the modeled reserve is not less than would be obtained by substituting an alternative investment strategy in which the fixed income reinvestment assets have the same WAL as the assets in the model investment strategy and are all public non-callable corporate bonds with gross asset spreads, asset default costs and investment expenses by projection year that are consistent with a credit quality blend of 50% PBR credit rating 6 (A2/A) and 50% PBR credit rating 3 (Aa2/AA).

 Policy loans, equities and derivative instruments associated with the execution of a clearly defined hedging strategy (in compliance with Section 7.L) are not affected by this requirement.

#### REASONING:

#### Clarity. (Note: The deleted sentence seemed not to be serving any purpose.)