**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 – Clarify Guidance Note about expense spreading.

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 9.E.1.b

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. This APF is for clarification and is thus **non-substantive**.

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:

|  |  |  |  |
| --- | --- | --- | --- |
| **Dates:** Received | Reviewed by Staff | Distributed | Considered |
| 2/27/19 |  |  |  |
| **Notes:** APF 2019-19 (CA APF-DB rev.) | | | |

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# Appendix

#### ISSUE:

#### Guidance Note refers to “considerations above” and it is not clear what that is alluding to.

#### SECTION:

#### VM-20 Section 9.E.1

#### REDLINE:

1. Shall use expense assumptions for the deterministic and stochastic scenarios that are the same except for differences arising from application of inflation rates.
2. May spread certain information technology development costs and other capital expenditures over a reasonable number of years in accordance with accepted statutory accounting principles as defined in the Statements of Statutory Accounting Principles.

**Guidance Note:** Care should be taken with regard to the potential interaction with the inflation assumption above.

#### REASONING:

#### Clarity.