**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 – Need for limiting modeling of option elections to those that could contain an element of anti-selection.

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.D

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. These changes are for clarification and as such are **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 2019-22 (CA APF-DE rev1) |

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# Appendix

#### ISSUE:

#### A certain percentage of policyholders will exercise contractual rights to decrease their face amount or increase their face amount (subject to evidence) or to change UL death benefit options, but it is not expected or desired that such options as these should be modeled for PBR, since there is no risk of anti-selection associated with them. There may be other examples besides these.

#### SECTIONS:

#### VM-20 Section 9.D

#### REDLINE:

**VM-20 Section 9.D.1.f**

f. Are assigned to policies in a manner that provides an appropriate level of granularity.

 **Guidance Note:** Anticipated experience policyholder behavior assumptions for policyholder behavior risk factors include, but are not limited to, assumptions for premium payment patterns, premium persistency, surrenders, withdrawals, allocations between available investment and crediting options, benefit utilization, and other option elections that could contain an element of anti-selection. For fixed premium products, many of the premium payment patterns, premium persistency and partial withdrawal behavior assumptions may not apply and do not need to be considered.

#### REASONING:

Avoid unnecessary complexity.