**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 – Adding some definitions.

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, 2018 edition), with NAIC Adoptions through August 8, 2017, VM-01

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.)

Please see Appendix attached. This amendment is for clarification only and as such is Non-Substantive.

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

Please see attached Appendix.

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NAIC Staff Comments:

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| --- | --- | --- | --- |
| **Dates:** Received | Reviewed by Staff | Distributed | Considered |
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| **Notes: APF 2018-15 (CA APF BF) rev 9\_11\_18** | | | |

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# Appendix

#### ISSUE:

#### Certain key VM-20 terms do not have definitions.

#### SECTIONS:

VM-01

#### REDLINE:

VM-01

We request that LATF please add to VM-01 definitions for these two items. Our suggested wording is shown for each:

The term “indexed universal life insurance policy” means any universal life insurance policy where the interest credits are linked to an external referent.

The term “shadow account” means a notional account, typically consisting of premium and interest credits and cost of insurance and expense charges, that is associated with certain types of universal life policies and is used in conjunction with a conditional guarantee that can potentially extend coverage beyond the date at which it would otherwise terminate under the provisions of the policy.

The alternative definition below of “shadow account”, using the term “secondary guarantee”, is also being exposed. Commenters should indicate which definition they prefer and what, if any, changes to the preferred definition LATF should consider. LATF will adopt only one of the exposed versions.

Alternative:

The term “shadow account” means a notional account, typically consisting of premium and interest credits and cost of insurance and expense charges, that is associated with certain types of universal life policies and is used in conjunction with a secondary guarantee.

#### REASONING:

1. Indexed Universal Life Insurance Policy - To be consistent with the fact that UL and Variable Life are defined terms in the Valuation Manual. Also consistency with Model 585.
2. Shadow Account – To reduce any ambiguity surrounding secondary guarantees.