**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.

This APF was jointly prepared by the Staff of Office of Principle-Based Reserving, California Department of Insurance and NAIC Support Staff.

This APF addresses recommendation #10 from VAWG’s 10/24/2018 memo regarding PBR Recommendations and Referrals to LATF.

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-31 Section 3.C.2.e

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.

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:

|  |  |  |  |
| --- | --- | --- | --- |
| **Dates:** Received | Reviewed by Staff | Distributed | Considered |
|  12/3/18 |  |  |  |
| **Notes:** VM APF 2018-62 (CA APF-CL) |

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# Appendix

#### ISSUE:

#### A number of 2017 PBR Actuarial Reports did not provide a clear indication of the degree of rigor applied in validating models.

#### SECTIONS:

VM-31, Section 3.C.2.e

#### REDLINE:

e. Calculation and Model Validation – Description of the approach used to validate model calculations for NPR, DR, and SR, including:
i. How the model was evaluated for appropriateness and applicability, including a thorough explanation of how the company became comfortable with the model (e.g. specific model controls, independent reviews performed, etc.);
ii. How the model results compare with actual historical experience;
iii. Tables showing numerical static and dynamic validation results, and commentary on these results;
iv. Which risks, if any, are not included in the model; and
v. Any limitations of the model that could materially impact NPR, DR, or SR.

#### REASONING:

 To enable regulators to better gauge how conscientiously the company performed its model validation.