**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 reporting requirement mandated in previously adopted APF 2018-54

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.11 as amended by APF 2018-54

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 only and as such is 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 |
| 1/7/19 |  |  |  |
| **Notes:** VMAPF 2019-05 (Calif APF CW) |

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# Appendix

#### ISSUE:

#### Some Indexed policies have elements of fixed UL in them by virtue of containing a choice of having some of the funds in a fixed account. Also, some VUL policies have a menu of fund choices that can include fixed and/or indexed funds.

#### The purpose of this APF is to make it clear that there is no expectation that a company need split policies of these kinds into pieces for the purposes of performing VM-31 reporting. Any given UL policy is to be classified in its entirety as either VUL, IUL, or regular UL.

#### All UL business containing a secondary guarantee (whether VUL, IUL, or fixed) belongs on Line 1.2 of the VM-20 Supplement, and the reporting requirement of VM-31 Section 3.C.11.j asks for the VUL/IUL/regular split of those Line 1.2 totals. The sorting into these three categories is to be accomplished at a policy level and not at any level more granular.

#### SECTION:

#### (new) Guidance Note for (new) VM-31 Section 3.C.11.j .

#### REDLINE:

**VM-31 Section 3.C.11.j**

j. ULSG Detail – Breakdown of ULSG reserve results (NPR, DR, SR) into Variable UL, Indexed UL, and regular UL components, both pre- and post-reinsurance, along with case counts and face amounts.

 **Guidance Note**: There is no expectation that a company split policies of these kinds into pieces for the purposes of performing VM-31 reporting. Any given UL policy is to be classified in its entirety as either Variable UL, Indexed UL, or regular UL. If a ULSG policy satisfies the definition of a variable life insurance policy (even if it contains options for indexed funds or fixed funds), that policy should be classified as variable for this VM-31 reporting purpose. If it does not, but it satisfies the definition of an Indexed UL policy, it should be classified as Indexed.

Note on the Exposure

In addition to considering the wording of the Guidance Note, commenters are being asked to opine on whether the text of the Guidance Note constitutes guidance or whether it should be considered part of the requirements. If deemed to be part of the requirements, the guidance note indicator will be removed.

REASONING:

#### Clarification.