**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 – Clarification of PIMR language

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-01 and VM-20 Section 7.D.7

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 change is for clarification and is thus **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:

|  |  |  |  |
| --- | --- | --- | --- |
| **Dates:** Received | Reviewed by Staff | Distributed | Considered |
| 1/30/19 |  |  |  |
| **Notes:** VM APF 2019-12 (CA OPBR/NAIC PBR) | | | |

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# Appendix

#### ISSUE:

#### In VM-01 PIMR is currently defined as if it has already been allocated to model segments. We feel that language is needed that starts with PIMR at the company level (i.e. PBR business and non-PBR business) and then carves out the PBR portion thereof and allocates that portion among the model segments.

#### SECTIONS:

VM-01, VM-20 Section 7.D.7

#### REDLINE:

VM-01

* The term “pretax interest maintenance reserve” (PIMR) means the statutory interest maintenance reserve liability at the projection start date, adjusted to a pretax basis.

VM-20, Section 7.D.7

1. Under Section 7.D.1, any PIMR balance allocated to the group of one or more policies being modeled at the projection start date is included when determining the amount of starting assets and is then subtracted out, under Section 4 and Section 5, as the final step in calculating the modeled reserves. The determination of the PIMR allocation is subject to the following:
   1. The amount of PIMR allocable to each model segment is the approximate statutory interest maintenance reserve liability that would have developed for the model segment, assuming applicable capital gains taxes are excluded. The allocable PIMR may be either positive or negative.
   2. In performing the allocation to each model segment, the company shall use a reasonable approach to allocate any portion of the total company balance that is disallowable under statutory accounting procedures (i.e., when the total company balance is an asset rather than a liability). The company shall use a reasonable approach to allocate the total company balance between PBR and non-PBR business and then allocate the PBR portion among model segments in an equitable fashion.
   3. The company may use a simplified approach to allocate the PIMR, if the impact of the PIMR on the minimum reserve is minimal.

#### REASONING:

Clarity.