**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 Office of Principle-Based Reserving, California Department of Insurance and NAIC Support Staff.

This APF addresses recommendation #1 from VAWG’s 10/24/2018 memo regarding PBR Recommendations and Referrals to LATF. It removes redundancy in governance documentation requirements between VM-31 Sections 3.B.3.b and 3.B.3.g (APF 2018-60, exposed for comment until 2/18/2019). Section 3.B.3.b was modified to 1) clarify that the term “material risks” is not just related to assumptions, and 2) request information on issues and concerns raised during a company’s process for VM-G, since the statement requested in Section 3.B.3.g does not provide this.

This APF also removes a redundancy between VM-31 Sections 3.B.3.e and 3.C.6.f.

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 Sections 3.B.3.b and 3.B.3e.

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 |
| 2/11/19 |  |  |  |
| **Notes:** VM APF 2019-14 (CA OPBR/NAIC PBR) | | | |

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# Appendix

#### ISSUE:

#### Additional documentation on governance is needed and some redundancies need to be removed.

This APF partially addresses VAWG Recommendation 1 which is also addressed in APF 2018-60. APF 2018-60 was exposed for comments until 2/18/2019 during 1/31/2019 LATF meeting. The two APFs are to be considered together on a subsequent call.

(the rest is in VM-31 Section 3.B.3.b)

#### SECTIONS:

See above.

#### REDLINE:

**VM-31, Section 3.B.3**

3. Life PBR Summary – A summary of the critical elements of all sub-reports of the Life PBR Actuarial Report as detailed in Section 3.C. In particular, this summary shall include:

a. Materiality – A description of the rationale for determining whether a decision, information, assumption, risk or other element of a principle-based valuation has a material impact on the modeled reserve. Such rationale could include criteria such as a percentage of reserves, a percentage of surplus and/or a specific monetary value, as appropriate.

b. Material Risks – A summary of the material risks within the principle-based valuation subject to close monitoring by the board, the company, the qualified actuary or any state insurance regulators in jurisdictions in which the company is licensed. Include any significant findings or concerns related to the assumptions, methods, models, and supporting infrastructure (consisting of the policies, procedures, controls and resources).

c. Changes in Reserve Amounts – A description of any material changes in reserve amounts from the prior year and an explanation for the changes.

d. Changes in Methods – A description of any significant changes from the prior year in the methods used to model cash flows or other risks, or used to determine assumptions and margins, and the rationale for the changes.

e. Assets and Risk Management – A brief description of the asset portfolio, and identification of any hedging, including any clearly defined hedging strategies, and other derivative programs.

f. Consistency Between Sub-Reports – A brief description of any material differences in methods, assumptions or risk management practices between groups of policies or contracts covered in separate sub-reports, to the extent that they are not explained by variations in product features, and the rationale for such differences.

g. Governance – A statement indicating that governance documentation, including that required by VM-G Section 2.A.5, Section 3.A.6, and Section 4.A.3, is readily available upon request.

#### REASONING:

See above.