**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 #11 from VAWG’s 10/24/2018 memo regarding PBR Recommendations and Referrals to LATF. The new post-level term language relates to VAWG recommendation #17.

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.3.j

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 |
| 1/30/19 |  |  |  |
| **Notes:** VM APF 2019-07 (CA OPBR/NAIC PBR) | | | |

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# Appendix

#### ISSUE:

#### Provide regulators information as to the company’s handling of substandard business and adjustments to mortality for policyholder behavior.

#### SECTIONS:

VM-31 Section 3.C.3.j

#### REDLINE:

VM-31 Section 3.C.3.j

j. Mortality for Impaired Lives or Policyholder Behavior – Disclosure of: (i) the percentage of business that is impaired, (ii) whether impaired lives were included or excluded from the mortality study upon which company experience mortality was based, and (iii) whether any adjustments to mortality assumptions for impaired lives or policyholder behavior were found to be necessary and, if so, the rationale for the adjustments that were used.

Item (iii) above is a required disclosure for post-level term mortality assumptions even if the company uses a 100% shock lapse assumption, since it pertains to the analysis demonstrating whether there are post-level term profits.

#### REASONING:

At year end 2017, there were very few VM-31 reports that provided any information on this topic.