**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.

**American Academy of Actuaries’ Life Reserves Work Group.**

**Allow products with immaterial deposits in accounts with a clearly defined hedging strategy (CDHS) to be eligible for exclusion from Stochastic Reserve requirements**

2. 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, Jan. 1, 2019 Edition. VM-20: *Requirements for Principle-based Reserves for Life Products.***

3. 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 Attachment A.**

4. State the reason for the proposed amendment? (You may do this through an attachment.)

**VM-20 does not allow a group of polices where a CDHS is used to be considered for exemption from Stochastic Reserve requirements.**

**This APF would allow groups of policies to be eligible for exclusion from stochastic reserve requirements if a CDHS supports a feature of the product that has such low utilization that it is not modeled due to immateriality. Section 7.B.1 includes the statement “The company shall reflect the effect of all material product features, both guaranteed and non-guaranteed.”**

\* This form is not intended for minor corrections, such as formatting, grammar, cross–references or spelling. Those types of changes do not require action by the entire group and may be submitted via letter or email to the NAIC staff support person for the NAIC group where the document originated.

NAIC Staff Comments:

|  |  |  |  |
| --- | --- | --- | --- |
| **Dates:** Received | Reviewed by Staff | Distributed | Considered |
| 3/11/19 |  |  |  |
| **Notes:** APF 2019-29 |

**Attachment A: Proposed changes**

Section 6.A.1.b

A company may not exclude from stochastic reserve requirements a group of policies for which there is one or more clearly defined hedging strategies associated with a product feature to be modeled pursuant to Section 7.B.1.