**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.

Mike Boerner, Texas Department of Insurance. Edits applied to the Life PBR Exemption portion of the LATF adopted APF 2018-08 as provided on the Industry tab of the NAIC website. These edits remove the condition for a non-qualified actuarial opinion and provide greater domiciliary commissioner discretion.

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), Section II, (1) Life Insurance Products, Subsection D, Life PBR Exemption, as amended by APF 2018-08 on the Industry tab of the NAIC website.

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.

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

A qualified actuarial opinion would not necessarily be a reason for applying PBR to all issues in that calendar year otherwise subject to VM-20. Therefore, this requirement is removed. In addition, greater domiciliary commissioner discretion is provided to apply PBR as appropriate to lines of business.

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NAIC Staff Comments:

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| --- | --- | --- | --- |
| **Dates:** Received | Reviewed by Staff | Distributed | Considered |
| 3/21/19 |  |  |  |
| Amendment Proposal Form 2019-31 | | | |

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# Appendix

D. Life PBR Exemption

1. A company meeting all of the following conditions may file a statement of exemption for ordinary life insurance policies, issued directly or assumed during the current calendar year, that would otherwise be subject to VM-20. Such statement must be filed with the domiciliary commissioner prior to July 1 of that year certifying that condition~~s~~ 2.a ~~and 2.b are~~ is met based on premiums and other values from the prior calendar year annual statement and certifying that condition 2.b~~c~~ is to be met as of the current calendar year-end valuation date. The statement of exemption must also be included with the NAIC filing for the second quarter of that year. The domiciliary commissioner may reject such statement prior to Sept. 1 and require the company to follow the requirements of VM-20 for the ordinary life policies or may exercise discretion to exempt those line(s) of business for the ordinary life policies for which the domiciliary commissioner does not believe the requirements of VM-20 are appropriate, with the exception of business pursuant to condition 2b, while subjecting other lines of business for the ordinary life policies to the requirements of VM-20.

2. Conditions for Exemption:

a. The company has less than $300 million of ordinary life premiums1 and, if the company is a member of an NAIC group of life insurers, the group has combined ordinary life premiums1 of less than $600 million;

~~and~~

1. ~~The appointed actuary has provided an unqualified opinion on the reserves for the prior calendar year;~~

and

~~c.~~ b. Every ULSG policy issued or assumed by the company with an issue date on or after Jan. 1, 2020, and in force on the company’s annual financial statement for the current calendar year-end valuation date only has secondary guarantees that meet the VM-01 definition of a “non-material secondary guarantee.”

3. Each exemption, or lack of an exemption, applies only to policies issued or assumed in the current year and applies to all future valuation dates for those policies. The minimum reserve requirements for the ordinary life policies subject to the exemption are those pursuant to applicable methods required in VM-A and VM-C using the mortality as defined in VM-20 Section 3.C.1 and VM-M Section 1.H.

1 Premiums are measured as direct plus reinsurance assumed from an unaffiliated company from the ordinary life line of business reported in the prior calendar year life/health annual financial statement, Exhibit 1, Part 1, Column 3, “Ordinary Life Insurance” excluding premiums for Guaranteed Issue policies and preneed life contracts and excluding amounts that represent the transfer of reserves in force as of the effective date of a reinsurance assumed transaction and are reported in Exhibit 1 Part 1, Column 3 as ordinary life insurance premium. Preneed is as defined in VM-02.