**Life Actuarial (A) Task Force/ Health Actuarial (B) Task Force**

**Amendment Proposal Form**

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| --- | --- | --- | --- |
| **Dates:** Received | Reviewed by Staff | Distributed | Considered |
|  4/19/19 |  |  |  |
| **Notes:** VM APF 2019-44 |

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 recommendations #3 and #4 from VAWG’s 10/24/2018 memo regarding PBR Recommendations and Referrals to LATF.

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.B with redlined changes from APF 2019-28, with additional redlined changes for this APF.

Notes:

This APF changes VM-31 Section 3.B in APF 2019-28, so these APFs should be reviewed together.

If APF 2018-55 is adopted, “VM-20 product group” will change to “VM-20 Reserving Category”.

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 the attached Appendix for red-lined verbiage. Note that this APF also includes a template.

Section VII of the VAWG paper entitled *2017 Principle-Based Reserves (PBR) Review Report* noted potential ways to convey information more efficiently and effectively, including the use of tables or spreadsheets as appropriate. To support this effort, four templates are under development.

The intent is that all four templates would be contained in a single spreadsheet that companies would download from the NAIC website and provide as part of their PBR Actuarial Report.

This APF includes two spreadsheets:

PBR Actuarial Report Templates (Templates A and B).xlsx

Sample PBR Actuarial Report Templates (Templates A and B).xlsx

The first spreadsheet will eventually contain all four PBR Actuarial Report templates along with instructions on how to complete them. Templates A and B are included in the spreadsheet for this APF.

The second spreadsheet will eventually contain the same four templates filled out with sample data illustrating how they would look when completed. For this APF, examples for Templates A and B are included in the spreadsheet.

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

Please see the attached Appendix.

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NAIC Staff Comments:

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# Appendix

#### ISSUE:

#### The following VAWG Recommendations were made to address issues found during the review of the 2017 PBR Actuarial Reports:

* VAWG #3: Provide a breakdown of modeled business by direct and assumed, target market, distribution channel, and product features
* VAWG #4: Describe the scope/volume of business subject to each underwriting approach (full, accelerated, simplified issue, guaranteed issue), and how the underwriting approach was reflected in the mortality assumptions and margins.

#### SECTIONS:

VM-31, Section 3.B

#### REDLINE:

VM-31 Section 3.B

2. Groups of Policies and/or Contracts – A listing of the groups of policies valued under VM-20 and/or contracts valued under VM-21 covered by each sub-report.

3. Policies – A summary of the base policies within each VM-20 product group, using PBR Actuarial Report Templates A and B located on the NAIC website (link to be determined). Include the items below and any other information necessary to fully describe the company’s distribution of business.

a. For direct business, use PBR Actuarial Report Template A to provide descriptions of each base policy product type and underwriting process (including a description of the process, the time period in which it was used, and the level of any additional margin), with a breakdown of policy count and face amount by base policy product type and underwriting process. Also include the target market, primary distribution system, and key product features that impact risk.

b. For assumed business, use PBR Actuarial Report Template B to provide information on the type of reinsurance, the base policy product type, and the assuming company’s underwriting process (including a description of the process, whether the assuming company used an underwriting process separate and distinct from the ceding company, and the level of any additional margin), with a breakdown of the assumed policy count and face amount by type of reinsurance, base policy product type, and underwriting process.

4. Contracts – A description of the contracts valued under VM-21, including descriptions of the target market, primary distribution system, and key product features that impact risk, such as death benefit guarantees, living benefit guarantees, or any other guarantees.

[Subsequent paragraphs re-numbered.]

PBR Actuarial Report Templates and Examples

 

#### REASONING:

This information will help regulators to evaluate mortality assumptions and margins, as well as aggregation of mortality experience.