

**NAIC BLANKS (E) WORKING GROUP**

**Blanks Agenda Item Submission Form**

<p align="right">DATE: <u>03/05/2018</u></p> <p>CONTACT PERSON: <u>Pat Allison</u></p> <p>TELEPHONE: <u>816-783-8528</u></p> <p>EMAIL ADDRESS: <u>pallison@naic.org</u></p> <p>ON BEHALF OF: <u>LATF</u></p> <p>NAME: <u>Mike Boerner, Chair</u></p> <p>TITLE: _____</p> <p>AFFILIATION: _____</p> <p>ADDRESS: _____</p>	<p align="center"><b>FOR NAIC USE ONLY</b></p> <p>Agenda Item # <u>2018-13BWG</u></p> <p>Year <u>2018</u></p> <p>Changes to Existing Reporting [ X ]</p> <p>New Reporting Requirement [ ]</p> <hr/> <p align="center"><b>REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</b></p> <p>No Impact [ X ]</p> <p>Modifies Required Disclosure [ ]</p> <hr/> <p align="center"><b>DISPOSITION</b></p> <p>[ ] Rejected For Public Comment</p> <p>[ ] Referred To Another NAIC Group</p> <p>[ ] Received For Public Comment</p> <p>[ X ] Adopted Date <u>06/12/2018</u></p> <p>[ ] Rejected Date _____</p> <p>[ ] Deferred Date _____</p> <p>[ ] Other (Specify) _____</p>
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**BLANK(S) TO WHICH PROPOSAL APPLIES**

- |  |   |   |
|--|---|---|
| <input checked="" type="checkbox"/> ANNUAL STATEMENT | <input type="checkbox"/> QUARTERLY STATEMENT  |   |
| <input checked="" type="checkbox"/> INSTRUCTIONS     | <input type="checkbox"/> CROSSCHECKS          | <input checked="" type="checkbox"/> BLANK |
| <input type="checkbox"/> Life and Accident & Health  | <input type="checkbox"/> Property/Casualty    | <input type="checkbox"/> Health           |
| <input type="checkbox"/> Separate Accounts           | <input checked="" type="checkbox"/> Fraternal | <input type="checkbox"/> Title            |
| <input type="checkbox"/> Other Specify               |   |   |

Anticipated Effective Date: Annual 2018

**IDENTIFICATION OF ITEM(S) TO CHANGE**

Edits to VM-20 Reserves Supplement - Part 3, addition of a new VM-20 Reserves Supplement – Part 4, Instructions for the VM-20 Reserves Supplement, and Instructions for Exhibit 5.

**REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE\*\***

The VM-20 Reserves Supplement – Part 3 needs to be updated to reflect amendments that have been made to the Valuation Manual. A new VM-20 Reserves Supplement – Part 4 is proposed for reporting of other exclusions from Life PBR (Single State Exemptions and life business excluded from the requirements of VM-20).

Instructions for the VM-20 Reserves Supplement need to be updated to reflect amendments that have been made to the Valuation Manual and provide instructions for Part 4.

Exhibit 5 instructions need to be updated to reflect reporting of valuation bases for annuity contracts subject to VM-22.

**NAIC STAFF COMMENTS**

Comment on Effective Reporting Date: \_\_\_\_\_

Other Comments:

\*\* This section must be completed on all forms.

**ANNUAL STATEMENT BLANK – LIFE AND FRATERNAL**

**VM-20 RESERVES SUPPLEMENT – PART 3**

Companywide Life PBR Exemption

For The Year Ended December 31, 20\_\_

(To Be Filed by March 1)

~~(\$000 Omitted Except for Number of Policies)~~

**Companywide Life PBR Exemption as defined in the NAIC adopted Valuation Manual (VM)**

1. Has the company filed and been granted a companywide Life PBR Exemption from the reserve requirements of VM-20 of the Valuation Manual by their state of domicile? Yes [ ] No [ ]
2. If the response to Question 1 is "Yes", then check the source of the granted "companywide Life PBR Exemption" definition? (Check either 2.1, 2.2 or 2.3)
- 2.1 NAIC Adopted VM [ ]
- 2.2 State Statute (SVL) [ ] Complete items "a" and "b", as appropriate.
- a. Is the criteria in the State Statute (SVL) different from the NAIC adopted VM? Yes [ ] No [ ]
- b. If the answer to "a" above is "Yes", provide the criteria the state has used to grant the companywide Life PBR eExemption (e.g., Group/Legal Entity criteria) and the minimum reserve requirements that are required by the state of domicile (if the minimum reserve requirements are the same as the Adopted VM, write SAME AS NAIC VM):
- .....
- .....
- .....
- .....
- 2.3 State Regulation [ ] Complete items "a" and "b", as appropriate.
- a. Is the criteria in the State Regulation different from the NAIC adopted VM? Yes [ ] No [ ]
- b. If the answer to "a" above is "Yes", provide the criteria the state has used to grant the companywide Life PBR eExemption (e.g., Group/Legal Entity criteria) and the minimum reserve requirements that are required by the state of domicile (if the minimum reserve requirements are the same as the Adopted VM, write SAME AS NAIC VM):
- .....
- .....
- .....
- .....

**VM-20 RESERVES SUPPLEMENT – PART 4**

Other Exclusions from Life PBR

For The Year Ended December 31, 20\_\_

(To Be Filed by March 1)

1. Has the company filed and been granted a Single State Exemption from the reserve requirements of VM-20 of the Valuation Manual by their state of domicile? Yes [ ] No [ ]  
If the answer to question 1 is "Yes" please discuss any business not covered under the Single State Exemption.
- .....
- .....
- .....
2. If the answer to question 1 is "Yes", does the company have risks for policies issued outside its state of domicile? Yes [ ] No [ ]  
If the answer to question 2 is "Yes" please discuss the risks for policies issued outside the state of domicile, how those risks came to be a responsibility of the company, and why the company would still be considered a Single State Company with such risks.
- .....
- .....
- .....
3. Is all of the company's individual ordinary life insurance business excluded from the requirements of VM-20 pursuant to Section II.B of the Valuation Manual? Yes [ ] No [ ]

**ANNUAL STATEMENT INSTRUCTIONS – LIFE AND FRATERNAL**

**VM-20 RESERVES SUPPLEMENT – PART 1**

**Life Insurance Reserves by Product Type**

This Supplement provides information on the reserves required to be calculated by Section VM-20 of the *Valuation Manual*. This includes the Net Premium Reserve and, as applicable, the Deterministic Reserve and the Stochastic Reserve. This Supplement also provides information regarding business where VM-20 of the *Valuation Manual* is not required to be applied. Only ~~B~~business issued on or after 1/1/2017 valued by the requirements of VM-20 should be reported in this Part 1. Companies that elect the three-year transition for some of their policies should not report those policies in this part. Companies that elect the three-year transition period for all of their business or are otherwise exempted from the requirements of Section VM-20 are not required to complete Part 1 of this Supplement pursuant to the instructions in Part 2 of this Supplement.



**Detail Eliminated To Conserve Space**

Column 1 & 2 – Reported Reserve

Provide the reported reserve for the prior year and current year for each line item. Post-Reinsurance-Ceded is net of reinsurance ceded, and Pre-Reinsurance-Ceded includes reinsurance assumed and excludes any reinsurance ceded. Sections 2 and 8 in the *Valuation Manual* further describe the required reserve and treatment of reinsurance.

Column 4, 9 & 13 – Net Premium Reserve (NPR)

Report the Post-Reinsurance-Ceded and Pre-Reinsurance-Ceded Net Premium Reserve for ~~the~~ each product type. The Net Premium Reserve is defined in Section 3 in VM-20 of the *Valuation Manual*.

Column 5 & 10 – Deterministic Reserve

Report the Post-Reinsurance-Ceded and Pre-Reinsurance-Ceded Deterministic Reserve for each product type. The Deterministic Reserve calculation is defined in Section 4 in VM-20 of the *Valuation Manual*.



**Detail Eliminated To Conserve Space**

## **VM-20 RESERVES SUPPLEMENT – PART 2**

### **Three Year-Transition Period**

This section of the Supplement should be completed when a reporting entity has elected to apply the three-year transition provided in Section II, Sub-section C~~3~~ under Life Insurance Products of ~~VM-00~~ of the *Valuation Manual* to some or all of its business. This Part 2 should include the values requested for the business for which the three-year transition has been elected and should not include values for any policies valued based on VM-20. This Part 2 allows the company to establish minimum reserves according to applicable requirements stated in Appendix A (VM-A) and Appendix C (VM-C), in the *Valuation Manual*, for business otherwise subject to VM-20 requirements and issued during the first three years following the Operative Date of the *Valuation Manual*. If a company does not elect this three-year transition, but elects to apply VM-20 to a block of business issued on and after the Operative Date, then such company must continue to apply the requirements of VM-20 to this block of business, as well as future new issues of this type of business.

A company that elects to apply the three-year transition for all of its products within the scope of VM-20 does not have to complete Part 1 of the VM-20 Supplement. If a company applies VM-20 to a product or products, then Part 1 of this VM-20 Supplement will need to be completed.

## **VM-20 RESERVES SUPPLEMENT – PART 3**

### **Companywide-Life PBR Exemption**

This section of the Supplement should be completed by a company that has filed and been granted a Life PBR~~Companywide~~ Exemption from its state of domicile.

If a company has been granted a Life PBR ~~Companywide~~ Exemption, the company must indicate the source of the ~~Companywide~~ Life PBR Exemption, which could be defined in a state statute, a state regulation or in the NAIC-adopted *Valuation Manual*. If the source of the granted Life PBR ~~Companywide~~ Exemption is not the NAIC-adopted *Valuation Manual*, the company must disclose the criteria of the state's Life PBR ~~Companywide~~ Exemption that the company has met, and the company must disclose the minimum reserve requirements that are required by the state of domicile. If the minimum reserve requirements of the state of domicile are the same as those specified in the NAIC-adopted *Valuation Manual*, the company may indicate: "Same as NAIC VM".

Companies whose individual ordinary life business is exempted from the requirements of VM-20 pursuant to a Life PBR ~~Companywide~~ Exemption are not required to complete Part 1 of this VM-20 Supplement.

## **VM-20 RESERVES SUPPLEMENT – PART 4**

### **Other Exclusions from Life PBR**

Questions 1 and 2 of this section of the Supplement should be completed by a company that has filed and been granted a Single State Exemption from the reserve requirements of VM-20 by its state of domicile pursuant to requirements similar to the optional Section 15 of the NAIC Model Standard Valuation Law (Model 820). The response to question 2 should be "Yes" if the company has any business assumed that relates to issues outside the state of domicile.

Question 3 of this section of the Supplement should be completed by a company if all its life business is excluded from the requirements of VM-20 pursuant to Section II.B of the Valuation Manual.

Companies responding "Yes" to question 1 are not required to complete Part 1 of this VM-20 Supplement if all of their individual ordinary life business was covered under the Single State Exemption. Companies responding "Yes" to question 3 are not required to complete Part 1 of this VM-20 Supplement.

**EXHIBIT 5 – AGGREGATE RESERVES FOR LIFE CONTRACTS**

Refer to *SSAP No. 50—Classifications of Insurance or Managed Care Contracts*, for life, accident and health and deposit-type contract definitions and *SSAP No. 51R—Life Contracts*. Reserves should be computed on a “gross” basis, i.e., direct and reinsurance assumed combined. Then, deductions for reinsurance ceded should be computed, using the same assumptions for mortality and interest and using the same valuation method, but reflecting the actual mode of reinsurance. If the assuming reinsurer uses different valuation assumptions or methods (e.g., reinsurer uses net level, but ceding entity uses CRVM), then deductions for reinsurance ceded by the ceding reporting entity will not necessarily equal reserves established by the assuming reporting entity. No deductions should be taken for reserves ceded under a modified coinsurance arrangement.

If necessary, companies may add lines to report each reserve basis used.

Column 1 – Valuation Standard

State table of mortality, disability, etc. rate of interest; distinguish between: (1) net level premium, and (2) preliminary term, modified preliminary term and select and ultimate standards. ~~Identify reserve basis applicable to new business by inserting “N.B.” on respective lines.~~ Valuation assumptions for mortality, morbidity and other contingencies, interest, and the valuation method should be indicated by years of issue. For annuities, indicate whether immediate, deferred, or both.

In describing the valuation assumptions and valuation methods, abbreviate as follows:



**Detail Eliminated To Conserve Space**

**Valuation Method**

- NLP.....Net Level Premium Reserve Method.
- CRVM.....Commissioners Reserve Valuations Method.
- NJ.....NJ Modified Reserve Method.
- ILL.....Illinois Modified Reserve Method.
- CARVM.....Commissioners Annuity Reserve Valuation Method.
- MOD.....Other Modified Reserve Method (e.g., CRVM graded into Net Level).
- ~~VM-20.....Any Reserve Calculated Under Section VM-20 of the *Valuation Manual*.~~
- VM-20\_NPR.....Net Premium Reserve Component of VM-20 Reserve.
- VM-20\_DET/STO.....Deterministic/Stochastic Reserve Component of VM-20 Reserve (Excess over Net Premium Reserve).
- VM-22.....Any CARVM Reserve Calculated Using Valuation Interest Rates Defined in Section VM-22 of the *Valuation Manual*.



**Detail Eliminated To Conserve Space**

For example, typical entries for life insurance reserve bases in Exhibit 5 might be:

LIFE INSURANCE: NLP ANB CRF unless otherwise indicated

- 1. 41 CSO 2 1/2% ..... 1947–1965
- 2. 58 CSO 4%/10/2% CRVM ALB CNF ..... 1978–1980 ~~NB~~
- 3. 2001 CSO 4.0%/10/2% CRVM ALB CNF..... 2006–2016 ~~NB~~
- 4. 2017 CSO VM-20 4.0% NPR..... 2017 ~~NB~~
- 5. VM-20 DET/STO ..... 2017 ~~NB~~

If additional space is needed to adequately describe the basis of valuation, use Note 31 of the Notes to Financial Statements to write in this information.

Column 5 – Credit (Group and Individual)

Include: Business not exceeding 120 months.

Refer to SSAP No. 59—Credit Life and Accident and Health Insurance Contracts for accounting guidance.



**Annuities**

For any annuity contracts valued using valuation interest rates defined in Section VM-22 of the Valuation Manual, include the reserve for Jumbo and Non-Jumbo contracts on separate lines in 50 basis point valuation interest rate intervals.

For example, typical entries in Exhibit 5 might be:

- 1. 2012 IAR VM-22 Jumbo 2.00% - 2.49% ..... 2018 – 20XX
- 2. 2012 IAR VM-22 Jumbo 2.50% - 2.99%... ..... 2018 – 20XX
- 3. 2012 IAR VM-22 Non-Jumbo 2.00% - 2.49% .... 2018 – 20XX
- 4. 2012 IAR VM-22 Non-Jumbo 2.50% - 2.99% .... 2018 – 20XX

**Disability – Disabled Lives**

Include “unaccrued” portion of liability for incurred claims (whether reported or unreported).

