

**NAIC BLANKS (E) WORKING GROUP**

**Blanks Agenda Item Submission Form**

<p align="right">DATE: <u>03/01/2019</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>2019-02BWG</u></p> <p>Year <u>2019</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>06/24/2019</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 checked="" type="checkbox"/> INSTRUCTIONS  | <input type="checkbox"/> CROSSCHECKS |
| <input type="checkbox"/> QUARTERLY STATEMENT                          | <input type="checkbox"/> BLANK                    |                                      |
| <input checked="" type="checkbox"/> Life, Accident & Health/Fraternal | <input type="checkbox"/> Separate Accounts        | <input type="checkbox"/> Title       |
| <input type="checkbox"/> Property/Casualty                            | <input type="checkbox"/> Protected Cell           | <input type="checkbox"/> Other _____ |
| <input type="checkbox"/> Health                                       | <input type="checkbox"/> Health (Life Supplement) |                                      |

Anticipated Effective Date: Annual 2019

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

Instructions for Part 1 of the VM-20 Reserves Supplement:

- Matching the title under Part 1 to the title used in the blank.
- Adding clarifying information to the paragraph providing line instructions.
- Adding to the Column Instructions to provide clarity. This includes adding language to indicate that the Due and Deferred Premium Asset should be reported, which is in accordance with VM-20 Section 2.

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

Clarifying the instructions to attain consistency in reporting. Changes are based on findings from the 2017 review of company filings.

**NAIC STAFF COMMENTS**

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

Other Comments:

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

ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL

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

**Life Insurance Reserves Valued According to VM-20 by Product Type**

(\$000 Omitted Except for Number of Policies)

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 business issued on or after Jan. 1, 2017, valued by the requirements of VM-20 should be reported in 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.

Part 1 of this Supplement breaks out, by product type, the prior year and current year reported reserves on a Post-Reinsurance-Ceded and Pre-Reinsurance-Ceded basis as defined in Section 8.D of Section VM-20 of the *Valuation Manual*. In addition, Part 1 of this Supplement shows, by product type for the current year, the Due and Deferred Premium Asset, the Net Premium Reserve (NPR), the Deterministic Reserve (DR) and the Stochastic Reserve (SR), where the NPR, DR and SR are as defined in Section VM-20 of the *Valuation Manual*. This Supplement is intended to aid regulators in the analysis of reserves as determined under Section VM-20 of the *Valuation Manual* for both the prior and current year.

Section VM-20 of the *Valuation Manual* requires that the Post-Reinsurance-Ceded Reserve be determined by three product groups – Term Insurance, Universal Life with Secondary Guarantees (ULSG) and all other. ~~The Term Insurance and ULSG~~ should be reported on lines 1.1 ~~and 1.2, respectively~~. ULSG, including Variable Universal Life with a secondary guarantee, Indexed life insurance with a secondary guarantee, regular Universal Life with a secondary guarantee, and ULSG policies with a non-material secondary guarantee as defined in Section VM-01 of the *Valuation Manual*, should be reported on line 1.2. Each of the other products reported in lines 1.3 – 1.8 should be determined as the sum of the policy reserves using the policy reserves determined following the allocation process of VM-20 Section 2. A similar process should be used for each of the pre-reinsurance-ceded reserves.

**Section A: Columns 4 through 8** are to be completed if each of the reserves in Columns 4 through 6 (NPR, DR, SR) is calculated according to the requirements of Section VM-20 of the *Valuation Manual*.

**Section B: Columns 9 through 12** are to be completed only if the reserves in Columns 9 and 10 (NPR, DR) are calculated according to the requirements of Section VM-20 of the *Valuation Manual*.

**Section C: Columns 13 through 15** are to be completed only if the reserve in Column 13 (NPR) is calculated according to the requirements of Section VM-20 of the *Valuation Manual*.

Column 1 & 2 – Reported Reserve

Provide the reported reserve, in thousands, 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. The reported reserve for the current year should reflect all policies in force as of the end of the current year. The reported reserve for the prior year should reflect all policies in force as of the end of the prior year.

Column 3 – Deferred Premium Asset

Provide the due and deferred premium asset amount, in thousands, associated with the current year Reported Reserve from Column 2 and calculated in a manner consistent with lines 15.1 and 15.2 of the Annual Statement Assets page.

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, in thousands. 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, in thousands. Report the amount whether it is positive or negative; do not floor the amount at zero if it is negative. The Deterministic Reserve calculation is defined in Section 4 in VM-20 of the *Valuation Manual*.

Column 6 – Stochastic Reserve

Report the Post-Reinsurance-Ceded and Pre-Reinsurance-Ceded Stochastic Reserve for each product type, in thousands. Report the amount whether it is positive or negative; do not floor the amount at zero if it is negative. The Stochastic Reserve calculation is defined in Section 5 in VM-20 of the *Valuation Manual*.

Column 7, 11 & 14 – Number of Policies

Report the number of individual life insurance policies by product type and by the required VM-20 methodology used as described in Section A, Section B and Section C above. The number of policies should be prior to any reinsurance ceded and include reinsurance assumed.

Column 8, 12 & 15 – Face Amount

Report the face amount, in thousands, of individual life insurance by product type and by the required VM-20 methodology used as described in Section A, Section B and Section C above. The face amount should be prior to any reinsurance ceded and include reinsurance assumed.

  **Detail Eliminated To Conserve Space**  

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