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| --- | --- | --- | --- |
| **Dates:** Received | Reviewed by Staff | Distributed | Considered |
| 5/12/22 | RM |  |  |
| **Notes:** APF 2022-06 | | | |

**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.

Staff of Office of Principle-Based Reserving, California Department of Insurance – VM-31 reporting of inflation assumption.

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, 2022 edition), with NAIC Adoptions through August 17, 2021: VM-31 Section 3.D.5

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 Appendix attached.

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

Please see attached Appendix.

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# Appendix

#### ISSUE:

#### VM-31 contains no specific mention of a requirement to disclose the inflation assumption for Life PBR.

#### SECTIONS:

VM-31 Section 3.D.5.f

#### REDLINE:

(new)

f. Inflation – Assumed rate(s) of inflation and the underlying rationale/derivation, including any consideration given to making distinctions between short term and long term inflation rates.

#### REASONING:

1. Restore mention of inflation rate assumption to VM-31 that had originally been there.
2. Have more consistency between Life and VA. The VA part of VM-31 does mention inflation.
3. Recognize that the recent uptick in the inflation rate may drive a desire/need for duration-specific inflation rates in PBR models.
4. Although VM-31 Section 3.D.1.a does refer to a website containing an optional template that includes mention of inflation, this falls short of mandating that inflation be covered in the company’s VM-31 report.