

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.

Ben Slutsker, Minnesota Department of Commerce
Elaine Lam and Thomas Reedy, California Department of Insurance

Some policies in the ULSG Reserving Category may have a non-material secondary guarantee. This makes them eligible to be excluded from both DR and SR calculations if they pass both the DET and the SET. Currently, the language in VM-20 Section 2.A.2 does not address this possibility, and thus does not clearly state the requirement for those policies. Furthermore, aspects of the NPR calculation may have been unclear for certain indexed universal life policies that pass exclusion tests.

2. 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, 2023 edition), VM-20 Section 2.A.2, Section 3.B.5, and Section 3.B.6

3. 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.

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

The purpose of this APF is to add language to address the possibility of policies in the ULSG Reserving Category having a non-material secondary guarantee, and thus becoming excluded from both DR and SR calculations if they pass both the DET and the SET. The new proposed subsection within VM-20 Section 2.A.2 clarifies the total minimum reserve calculation for these policies. The new proposed Guidance Note immediately following the new proposed subsection clarifies when the subsection applies, which is only in cases of UL policies with non-material SGs. In addition, edits are proposed to Section 3.B.5 and 3.B.6 of VM-20 to have the NPR on indexed universal life policies that pass both exclusion tests follow VM-A and VM-C calculations.

* This form is not intended for minor corrections, such as formatting, grammar, cross-references or spelling. Those types of changes do not require action by the entire group and may be submitted via letter or email to the NAIC staff support person for the NAIC group where the document originated.

NAIC Staff Comments:

Dates: Received	Reviewed by Staff	Distributed	Considered
12/1/2022	SO		
Notes: APF 2022-10			

W:\National Meetings\2010\...\TF\LHA\

New proposed language is in redline below:

VM-20 Section 2.A.2

2. ULSG Reserving Category — All policies and riders belonging to the ULSG Reserving Category are to be included in Section 2.A.2.~~c~~~~b~~ unless the company has elected to exclude a group of them from the SR calculation or both the DR and SR calculations and has applied the ~~SET~~-applicable exclusion test(s) defined in Section 6, passed the test~~(s)~~ and documented the results.
 - a. For the group of policies and riders for which the company did not compute the DR nor the SR: the sum of the policy minimum NPRs for those policies.

Guidance Note: This may be applicable for a group of ULSG policies that meet the definition of a “non-material secondary guarantee” and passes both the DET and the SET.

- ~~a~~.~~b~~. For the group of policies and riders for which the company did not compute the SR: the sum of the policy minimum NPRs for those policies plus the excess, if any, of the DR for those policies determined pursuant to Section 4 over the quantity (A–B), where A = the sum of the policy minimum NPRs for those policies, and B = any due and deferred premium asset held on account of those policies.
- ~~b~~.~~c~~. For the group of policies and riders for which the company computes all three reserve calculations: the sum of the policy minimum NPRs for those policies plus the excess, if any, of the greater of the DR for those policies determined pursuant to Section 4 and the SR for those policies determined pursuant to Section 5 over the quantity (A–B), where A = the sum of the policy minimum NPRs for those policies, and B = any due and deferred premium asset held on account of those policies.
- ~~e~~.~~d~~. The due and deferred premium asset, if any, shall be based on the valuation net premiums computed in accordance with Section 3.B.5.d, for the base policy, determined without regard to any NPR floor amount from Section 3.D.2.

VM-20 Section 3.B.5

5. For all policies and riders within the ULSG Reserving Category, other than indexed universal life policies for which the company did not compute the DR nor the SR, the NPR shall be determined as follows:
 - a. If the policy duration on the valuation date is prior to the point when all secondary guarantee periods have expired, the NPR shall be the greater of the reserve amount determined in Section 3.B.5.c and the reserve amount determined in Section 3.B.5.d, subject to the floors specified in Section 3.D.2....

VM-20 Section 3.B.6

6. For all policies and riders within the All Other VM-20 Reserving Category, as well as indexed universal life policies for which the company did not compute the DR nor the SR, the NPR shall be determined pursuant to applicable methods in VM-A and VM-C for the basic reserve. The mortality tables to be used are those defined in Section 3.C.1 and in VM-M Section 1.H.~~r~~.