**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.

**Identification:**

PBR Staff of Texas Department of Insurance

**Title of the Issue:**

Companies appear unclear how to support the requirement that “company experience mortality rates shall not be lower than the mortality rates the company expects to emerge" in PBR Actuarial Report under VM-31 Section3.D.3.l.iv.

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:

VM-31 Section 3.D.3.l.iv

January 1, 2023 NAIC *Valuation Manual*

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.)

We have observed a consistent issue, where there is not adequate support showing compliance with the requirement that “the company experience mortality rates shall not be lower than the mortality rates the company expects to emerge”. The most commonly provided support is a retrospective quantitative analysis (e.g., the actual to expected analysis), without any further discussion of the mortality rates that the company expects to emerge. The intention of this requirement is to discuss any forward-looking qualitative analysis, rather than just a historical quantitative analysis. The disclosure shall include, but is not limited to, the discussion of underwriting standard changes (or the lack thereof), distribution channel changes (or the lack thereof), any pandemic adjustments (or the lack thereof), and the results of ongoing experience monitoring.

\* 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:

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| --- | --- | --- | --- |
| **Dates:** Received | Reviewed by Staff | Distributed | Considered |
| 2/24/23 | SO |  |  |
| **Notes:** APF 2023-04 |

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**VM-31 Section 3.D.3.l.iv**

# Description and justification of the mortality rates the company actually expects to emerge, and a demonstration that the anticipated experience assumptions are no lower than the mortality rates that are actually expected to emerge. The description and demonstration should include the level of granularity at which the comparison is made (e.g., ordinary life, term only, preferred term, etc.). For the mortality rates that are actually expected to emerge, the description should include a forward-looking qualitative analysis which includes, but is not limited to, the discussion of any underwriting standard changes (or lack thereof), distribution channel changes (or lack thereof), any pandemic adjustments (or lack thereof), and the results of ongoing experience monitoring.