**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:**

Address several clean-up items for VM-20

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- 20 Section 3.B.5.c.ii.4 and VM-20 Section 5.B.3

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.)

1. The formula for calculating the NPR for ULSG based on the value of the SG in VM-20 Section 3.B.5.c.ii.4 excludes the EA from the scaling of the NPR. This is inconsistent with the formula for calculating the NPR for ULSG disregarding the SG in VM-20 Section 3.B.5.d.iv. The scale is the prefunding ratio of actual SG (denoted ASG) to fully funded SG (denoted FFSG), and it makes intuitive sense that the NPR would be scaled to decrease or increase relative to the level of funding of the SG.
2. The VM-20 Section 5.B.3 stochastic reserve methodology is missing an aggregate cash surrender value (CSV) floor for scenario reserves before calculating CTE70. This allows scenario reserves that exceed the CSV to be dampened or eliminated by being averaged with scenario reserves. A CSV floor in the NPR does not address this concern, because it does not reflect the scenario reserves in the SR that exceed the CSV. In contrast, in VM-21 Section 4.B.1 scenario reserves are floored at the aggregate CSV as appropriate. Scenario reserves, as the asset requirement for specific scenarios, should be held at or above the CSV.

\* 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 |
| 1/30/23 | SO |  |  |
| **Notes:** APF 2023-06 – taken from Sections 1 and 2 of APF 2023-03. | | | |

**VM-20 Section 3.B.5.c.ii.4**

1. The NPR for an insured age x at issue at time t shall be according to the formula below:

~~𝑀𝑖𝑛 [ 𝐴𝑆𝐺~~~~𝑥+𝑡~~ ~~/𝐹𝐹𝑆𝐺~~~~𝑥+𝑡~~ ~~, 1] ⦁ 𝑁𝑆𝑃~~~~𝑥+𝑡~~ ~~− 𝐸~~~~𝑥+t~~

𝑀𝑖𝑛 [ 𝐴𝑆𝐺𝑥+𝑡 /𝐹𝐹𝑆𝐺𝑥+𝑡 , 1] ⦁ (𝑁𝑆𝑃𝑥+𝑡 − 𝐸𝑥+t)

**VM-20 Section 5.B.3**

1. Set the scenario reserve equal to the sum of the statement value of the starting assets across all model segments and the maximum of the amounts calculated in Subparagraph 2 above.

The scenario reserve for any given scenario shall not be less than the cash surrender value in aggregate on the valuation date for the group of contracts modeled in the projection.