**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:**

California Office of Principles-Based Reserving and Minnesota Department of Commerce

**Title of the Issue:**

Company-Specific Market Path (CSMP) Removal

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-21 Section 6.A.1

January 1, 2024 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.)

The standard projection amount drafting group found that there is very little use of the CSMP method for the VM-21 standard projection amount. Therefore, we recommend removing this method from VM-21 starting in 2025, which gives time to transition to the CTEPA method for the few companies that currently employ the CSMP method.

\* 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 |
| 5/1/2023 | SO |  |  |
| **Notes:** APF 2023-07 |

**VM-21 Section 6: Requirements for the Additional Standard Projection Amount**

A. Overview

1. Determining the Additional Standard Projection Amount

1. For valuation dates before January 1, 2025, the additional standard projection amount shall be the larger of zero and an amount determined in aggregate for all contracts falling under the scope of these requirements, excluding those contracts to which the Alternative Methodology is applied, by calculating the Prescribed Projections Amount by one of two methods, the Company-Specific Market Path (CSMP) method or the CTE with Prescribed Assumptions (CTEPA) method. The company shall assess the impact of aggregation on the additional standard projection amount.
2. For valuation dates after January 1, 2025, the additional standard projection amount shall be the larger of zero and an amount determined in aggregate for all contracts falling under the scope of these requirements, excluding those contracts to which the Alternative Methodology is applied, by calculating the Prescribed Projections Amount by the CTEPA method. The company shall assess the impact of aggregation on the additional standard projection amount.
3. The additional standard projection amount shall be calculated based on the scenario reserves, as discussed in Section 4.B, with certain prescribed assumptions replacing the company prudent estimate assumptions. As is the case in the projection of a scenario in the calculation of the SR, the scenario reserves used to calculate the additional standard projection amount are based on an analysis of asset and liability cash flows produced along certain equity and interest rate scenario paths.