**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:**

Rachel Hemphill, Texas Department of Insurance

 **Title of the Issue:**

Correct order of operations for IMR application in VM-21, following AAA letter.

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 3.A and VM-21 Section 4.B.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.)

**VM-21 Section 3.A**

The aggregate reserve for contracts falling within the scope of these requirements shall equal the SR (following the requirements of Section 4) plus the additional standard projection amount (following the requirements of Section 6) plus the reserve for any contracts determined using the Alternative Methodology (following the requirements of Section 7).

**VM-21 Section 4.B.1**

For a given scenario, the scenario reserve is the sum of:

1. The greatest present value, as of the projection start date, of the projected accumulated deficiencies; and
2. The starting asset amount, less the allocated amount of PIMR per Section 4.D.1.a.

At the option of the company, the PIMR may be deducted from the aggregate reserve rather than the individual scenario reserves for valuation dates before January 1, [2026/2027/2028], but once a company elects to deduct PIMR from the scenario reserves, they must continue to do so for future valuations. When using the direct Iteration method, the scenario reserve will equal the final starting asset amount determined according to Section 4.B.4, less the allocated amount of PIMR per Section 4.D.1.a.

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.

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

This APF is to make the changes as noted in the May 2, 2024 AAA letter. A period of optional implementation was drafted, for LATF consideration, based on the AAA suggestion of a phase-in. An optional period seems cleaner than a phase-in, given the C3P2 mechanics.

Note that this APF will be distributed to both LATF and the Life RBC Working Group during exposure, as the change to deduct the PIMR from the scenario reserve not only impacts the reserve calculation (and so, indirectly the C3P2) but also directly impacts the CTE(98) calculation in LR027, as it impacts the underlying scenario reserves.

|  |  |  |  |
| --- | --- | --- | --- |
| **Dates:** Received | Reviewed by Staff | Distributed | Considered |
| 5/6/24 | S.O. |  |  |
| **Notes:** 2024-09 |