TO: Mr. Mike Boerner

Chair, Life Actuarial Task Force

SUBJECT: APF 2019-33

DATE: ~~August 18~~~~, 2020~~  December 7, 2020

California has a number of comments, largely editorial in nature, on APF 2019-33. These are as follows:

1. In multiple places, newly proposed language states “… subject to an individual risk selection process and meeting all the conditions in VM-20 Section 1.B”.  We think it is redundant to state the first condition (“subject to an individual risk selection process”) since it is listed as a requirement in VM-20 Section 1.B, so we suggest deleting that first part.
2. In item 1.B of Section II, line 3, there is a section reference error.  The words “paragraph D” should be changed to “subsection 1.G”. (The use of “subsection” in place of “paragraph” will bring about consistency with other verbiage on this same page.)
3. In subsection 1.B of Section II, we suggest changing “subsection 1.F” to “subsection 1.F.2” for maximum clarity.  Similarly, in subsection 1.C of Section II, we suggest changing “subsection 1.F” to “subsection 1.F.1”.
4. In Section II, we suggest switching the ordering of Subsection 1.C and 1.D to improve the flow of the requirements.
5. We think it could be helpful if language were added somewhere to specifically state that there is to be no retroactivity to policies issued before the date of the company’s adoption of this new treatment of individually underwritten group. As worded, the APF is not wrong but there could be some potential for confusion.
6. In Subsection 1.F, “Valuation Manual” should be italicized, in two places.
7. The last paragraph of Subsection 1.F is a bit confusing, now that two transition periods are being discussed.  The phrase “may elect to use the 2017 CSO Tables”  is meant to refer only to the 2017-2019 transition period, but it does not quite come across that way.   And the phrase “during the three years” may leave the reader wondering which three year period is being discussed.
8. We suggest changing the first 3+ lines of Subsection 1.G.1 to “A company meeting the condition in subsection 1.G.2  below may file a statement of exemption for individual life insurance policies and certificates, except for policies described in subsection 1.G.3. below, …”
9. Also in subsection 1.G.1 there are some missing words, so we suggest replacing the phrase “that condition subsection G.2 was met” by “that the condition of subsection 1.G.2 was met”.
10. We suggest spelling out the word “September” in the last sentence of subsection 1.G.1.
11. The footnote 1 symbol in the first line of 1.G.2 needs to be turned into a superscript.
12. In the footnote, the parenthetical starts out with “For a statement of exemptions” and we suggest it be “For statements of exemption”.
13. In VM-20 Section 1.B, we suggest replacing the current lead-in sentence with this:  “Individual life certificates under a group life contract shall be subject to the requirements of VM-20 if all of the following are met:” to better conform to the language style of the VM.
14. In VM-20 Section 1.B, it would be more usual to use numbers 1 through 5 rather than Romanettes.
15. In VM-20 1.B.iv (or 1.B.4) we think “similar … to” would sound better than “similar … as”.
16. In VM-20 Section 1.B.v (or 1.B.5), we suggest deleting “with an NPR floor” after “principle-based valuation”, since it seems unnecessary.
17. The Guidance Note in VM-20 Section 2.A need not be italicized or bold.
18. The complete cross-out of VM-51 verbiage is a bit confusing. Since we presume there is no intent to delete VM—51, the pages of the APF concerning VM-51 should simply be removed, in our view.
19. Both this APF and the currently pending APF from Rachel Hemphill (# 2020-11) about the Company-wide Exemption propose wording changes in the same area of the *Valuation Manual*, so at some point someone will need to weave those two sets of wording changes together in a logical way.

Sincerely,

Ben Bock & Elaine Lam

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Financial Surveillance Branch

California Department of Insurance

CC: Reggie Mazyck

 Mary Bahna-Nolan