**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.

John Robinson, Director PBR – Valuation Actuary, MN

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:

Valuation Manual, January 1, 2020 Edition

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.)

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

The purposes of this APF are to

(a) Affirm that if a block of business is subject to SVL before being reinsured on a modco basis, it remains subject to SVL when reinsured on a modco basis.

(b) Clarify the responsibilities of the appointed actuaries of both the ceding and assuming companies, relative to both the SAO and asset adequacy analysis.

(c) Make a minor modification to the table headings in VM-30, Section 3.A.5.

The proposed text is in the Appendix below.

\* 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 |
|  |  |  |  |
| **Notes:** VM Maintenance Agenda 2019-34 | | | |

APPENDIX

1. It is proposed to add the following text as VM-30, Section 4:

Section 4: Modified Coinsurance Reserves

1. A block of business that would be subject to Model #820 were it not reinsured under a modified coinsurance agreement remains subject to Model #820 if it is reinsured under a modified coinsurance agreement.

2. Reserves for a block of business that is subject to Model #820 and is reinsured under a modified coinsurance agreement, are subject to

a. the statement of actuarial opinion of the ceding company’s appointed actuary (Section 3.A); and

b. asset adequacy analysis (Section 3.B).

**Guidance Note:** The asset adequacy analysis may be performed by either the ceding or assuming company. The result of the asset adequacy analysis must be reported in the ceding company’s actuarial memorandum.

In accordance with Section 3.A.6, the ceding company’s appointed actuary may rely on the assuming company for data, assumptions and more, but may not simply rely on their actuarial opinion. Similarly, in accordance with Section 3.B.2, ceding company’s appointed actuary may rely on the assuming company’s actuarial memorandum, but may not simply rely on their actuarial opinion.

3. In the event that the assuming company is required, either by law or under the reinsurance agreement, to ensure the adequacy of such reserves, the assuming company shall perform an asset adequacy analysis (Section 3.B).

2. Revision to Section 3.A.5, Table Headings:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Asset Adequacy Tested And Not Tested Amounts—Reserves and Related Actuarial Items** | | | | | | |
| **Statement Item** | **Formula Reserves**  **(1)** | **Principle-Based**  **Reserves**  **(2)** | **Additional Reserves a**  **(3)** | **Analysis Method b** | **Amount**  **Not Tested**  **(4)** | **Total Amount = (1)+(2)+(3)+(4)**  **(5)** |