**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:**

Clarify reflection of negative IMR.

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 7.D.7, VM-30 Section 3.B.5, January 1, 2025 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-20 7.D.7**

7. Under Section 7.D.1, any PIMR balance allocated to the group of one or more policies being modeled at the projection start date is included when determining the amount of starting assets and is then subtracted out, under Section 4 and Section 5, as the final step in calculating the modeled reserves. The determination of the PIMR allocation is subject to the following:

1. The amount of PIMR allocable to each model segment is the approximate statutory interest maintenance reserve liability that would have developed for the model segment, assuming applicable capital gains taxes are excluded. The allocable PIMR may be either positive or negative.
2. In performing the allocation to each model segment, any portion of the total company IMR balance that is not admitted under statutory accounting procedures shall first be removed. The company shall use a reasonable approach to allocate the total company balance, after removing any non-admitted portion thereof, between PBR and non-PBR business and then allocate the PBR portion among model segments in an equitable fashion. Any negative IMR that is admitted must be fully allocated by line of business and cannot be allocated to surplus. In the case of negative IMR, since a negative amount is being added when determining the starting asset amount, the amount of starting assets is reduced by the absolute value of the allocated amount of negative IMR and the absolute value of the allocated amount of negative IMR is then added in, under Section 4 and Section 5, as the final step in calculating the modeled reserves.
3. The company may use a simplified approach to allocate the PIMR, if the impact of the PIMR on the minimum reserve is minimal.

**VM-30 Section 3.B.5**

5. An appropriate allocation of assets in the amount of the IMR, whether positive or negative, shall be used in any asset adequacy analysis. In performing the allocation, any portion of the total company IMR balance that is not admitted under statutory accounting procedures shall first be removed. However, the full amount of any negative IMR balance that is admitted must be used in the asset adequacy analysis. In the case of negative IMR, the allocated assets are reduced by the absolute value of the negative IMR. Analysis of risks regarding asset default may include an appropriate allocation of assets supporting the asset valuation reserve; these AVR assets may not be applied for any other risks with respect to reserve adequacy. Analysis of these and other risks may include assets supporting other mandatory or voluntary reserves available to the extent not used for risk analysis and reserve support.

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

This APF further clarifies the changes made by APF 2023-08, based on errors in reporting seen for year-end 2023. The admittance of a portion of negative IMR was based on asset adequacy analysis acting as an effective guardrail. Note that VM-21 Section 4.A.7 currently requires a treatment consistent with VM-30, and so additional guidance is not needed for VM-21.

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| **Dates:** Received | Reviewed by Staff | Distributed | Considered |
| 08/15/2024 | KK |  |  |
| **Notes:** APF 2024 - 13. LATF exposed 8/29/2024 for 21 days. | | | |