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Benjamin Slutsker, Chair
Valuation Manual (VM)-22 (A) Subgroup
1100 Walnut Street, Suite 1000
Kansas City, MO 64106

Submitted via email to Benjamin Slutsker: Benjamin.slutsker@state.mn.us

RE: Preneed Annuities within VM-22

Dear Chair Slutsker:

Thank you for your engagement in the 2nd quarter of this year and for the opportunity to comment on preneed annuities within VM-22.

As we discussed, reserve requirements for life insurance policies exempt preneed life contracts from principle-based valuation (VM-20). The VM-22 draft provides requirements for Principle-Based Reserves for Non-Variable Annuities. Annuities are sold in the preneed market. This letter requests consideration of exempting preneed annuity contracts from principle-based valuation (VM-22), in line with that done for preneed life contracts.

To facilitate such an exemption, retaining the current reserve requirements for preneed annuities, the draft VM-22 could be updated as listed below.

Item D in Subsection 2: Annuity Products would include the following underlined text:

Minimum reserve requirements for non-variable annuity contracts issued on 1/1/2025 and later are those requirements as found in VM-22, with the exception of Preneed Annuities, Guaranteed Investment Contracts, Synthetic Guaranteed Investment Contracts, and other Stable Value Contracts which shall follow the requirements found in VM-A, VM-C, and VM-V. The minimum reserve requirements of VM-22 are considered PBR requirements for purposes of the Valuation Manual, and therefore are applicable to VM-G.

Additionally, VM-01: Definitions for Term in Requirements would include:

The term "Preneed Annuity" means any non-variable deferred annuity policy or certificate that is issued in combination with, in support of, an assignment to or as a

guarantee for a prearrangement for good and services to be provided at the time of and immediately following the death of the insured. Goods and services may include, but are not limited to, embalming, cremation, body preparation, viewing or visitation, coffin or urn, memorial stone, and transportation of the deceased. The status of the policy or contract as preneed insurance is determined at the time of issue in accordance with the policy form filing. (Note: Preceding definition taken from the Preneed Life Insurance Minimum Standards for Determining Reserve Liabilities and Nonforfeiture Values Model Regulation [#817].) The definition of preneed shall be subject to that definition of preneed in a particular state of issue if such definition is different in that state.

The wording within this definition follows that listed within the Valuation Manual for preneed life insurance.

Thank you again for your consideration of this enhancement to bring consistency with preneed life, recognizing the nature of preneed insurance in the context of principles-based valuation.

My contact information is listed within this letter should you have questions about this submission.

Sincerely,



Thomas A. Doruska

Cc Elaine Lam via email: Elaine.Lam@insurance.ca.gov