Meeting Materials:
Life Insurance and Annuities (A) Committee
July 15, 2024

Attachment A – Life Amendments to the 2025 Valuation Manual for the Consideration of the Life Insurance and Annuities (A) Committee

Attachment B – Health Amendments to the 2025 Valuation Manual Adopted by the Health Insurance and Managed Care (B) Committee

Attachment A

LATF VM Amendment	Valuation Manual Reference	Valuation Manual Amendment Proposal Descriptions	LATF Adoption Date	Page Number
2023-08	VM- 20 Section 7.D.7, VM-30 Section 3.B.5	Clarifies the allocation of negative interest maintenance reserves (IMR) for VM-20 and VM-30 and that non-admitted IMR is excluded from the allocation.	8/31/2023	4
2023-09	VM-20 Section 9.C.2.h	This amendment requires companies to apply historical mortality improvement rates, which may be negative.	10/5/2023	6
2023-11	VM-20 Section 8.C.17 and VM-21 Section 1.C.3	This amendment proposes removal of references to risk-based capital (RBC) in VM-20 and VM-21 that are inconsistent with the purpose, scope, and intended use of RBC to be consistent with improvements made in related sections of the VM-22 draft.	1/25/2024	8
2023-12	VM-01 and VM-30 Section 3.B	This amendment clarifies expectations on the reflection of equity return volatility in VM-30 cash-flow testing.	2/29/2024	10
2024-01	VM-01 "Qualified Actuary"	Model 820 specifically calls out a qualified actuary as a person “who meets the requirements specified in the valuation manual.” This amendment adds the requirement that "A qualified actuary must meet the specific qualification standard for providing a NAIC Annual Statement Opinion".	4/25/2024	12
2024-02	VM-G Governance in PBR Actuarial Report, VM-31 Section 3.C.7 and Sections 3.C.8 - 3.C.11, VM-31 Section 3.B.6	This amendment clarifies that documentation on VM-G applies to all products subject to principle-based reserves (PBR). Currently VM-G documentation is only required in the Life PBR Actuarial Report.	2/29/2024	15
2024-04	VM-20 Section 9.D.5	This amendment updates the industry lapse experience table used for minimally funded universal life with secondary guarantee (ULSG) policies to the term-to-100 lapse experience table published by the Canadian Institute of Actuaries in December 2021.	4/25/2024	16
2024-06	VM-22 Section 3.C.3	This amendment permits companies to elect to consistently determine statutory maximum valuation interest rates for non-jumbo contracts as if they were jumbo contracts, with prior approval of the domiciliary commissioner.	6/6/2024	17
2024-05	Valuation Manual II, Subsection 3: Deposit-Type Contracts	This amendment allows companies to consistently determine statutory maximum valuation interest rates monthly rather than annually for certain simple deposit-type contracts with prior approval of the domiciliary commissioner.	6/6/2024	19
2024-09	VM-21 Section 3.A and VM-21 Section 4.B.1	This amendment corrects the order of operations for the pre-tax IMR application in VM-21.	6/6/2024	21
2023-13	VM-M Sections 1 and 2, VM-31 Section 3.D.3, VM-20 Sections 3.C.1.h, 9.C.3.b and 9.C.3.g	This amendment requires the use of non-U.S. mortality tables for blocks of business issued in foreign countries covering insureds who are not residents of the U.S. These tables must be approved by LATF before being used for reserve purposes. This amendment also adds several annuity tables to VM-M.	6/13/2024	23
2024-07	VM-21 Section 6.C.2, VM-21 Section 6.C.6, VM-21 Section 6.C.9, VM-21 Section 11.B.3	This amendment makes updates to VM-21 standard projection amount maintenance expense, full surrender, and mortality assumptions.	6/13/2024	28
2024-08	VM-21 Section 4.B.3	This amendment clarifies the calculation of the Net Asset Earned Rate (NAER) on additional assets, providing additional detail on how the initial additional asset portfolio is constructed and how it is reinvested.	6/13/2024	35

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, FSA, FCAS, MAAA, Ph.D.

   Title of the Issue:
   Clarifying guidance for allocation 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, 2023 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.)

   See attached.

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

   Clarify allocation of negative IMR for VM-20 and VM-30; in particular, non-admitted IMR is excluded. 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.

* 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
05/22/23	SO		
Notes: APF 2023-08			

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:

a. 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.
b. In performing the allocation to each model segment, ~~the company shall use a reasonable approach to allocate~~ any portion of the total company IMR balance that is ~~disallowable~~ not admitted under statutory accounting procedures ~~(i.e., when the total company balance is an asset rather than a liability).~~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.
c. 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. 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.

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, FSA, FCAS, MAAA, Ph.D.

   Title of the Issue:
   Add guidance on consistency of HMI and FMI rates.

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 9.C.2.h

   January 1, 2023 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.)
   See attached.

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

   Because mortality improvement may be negative, the requirement should be that HMI "shall" be applied to the company mortality rates not "may" be applied.

* 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
7/20/23, 10/5/23	SO		
Notes: 2023-09			

VM-20 9.C.2.h

h. Mortality improvement shall not be incorporated beyond the valuation date in the company experience mortality rates. However, historical mortality improvement from the central point of the underlying company experience data to the valuation date ~~may~~ shall be incorporated.

Guidance Note: Mortality improvement may be positive or negative (i.e., deterioration).

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, PhD, FSA, FCAS, MAAA

Title of the Issue:
Remove references to RBC in VM-20 and VM-21 that are inconsistent with the purpose, scope, and intended use of RBC and be consistent with improvements made in related Sections of the VM-22 draft.

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 8.C.17 and VM-21 Section 1.C.3

January 1, 2023 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 Section 8.C.17:

17. In setting any margins required by Section 8.C.15 and Section 8.C.16 to reflect potential uncertainty regarding the receipt of cash flows from a counterparty, the company shall take into account the ratings~~,~~ ~~RBC ratio~~ or other available information related to the probability of the risk of default by the counterparty, as well as any security or other factor limiting the impact on cash flows.

VM-21 Section 1.C.3 (remove entire section, and renumber subsequent Section 1.C.4 to 1.C.3):

~~3. The risks not necessarily reflected in the calculation of reserves under these requirements are:~~

~~a. Those not reflected in the determination of RBC.~~

~~b. Those reflected in the determination of RBC but arising from obligations of the company not directly related to the contracts falling under the scope of these requirements, or their supporting assets, as described above.~~

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

A couple existing references to RBC in VM-20 and VM-21 are inconsistent with the RBC Preamble's description of the purpose, scope, and intended use (as well as confidentiality) of RBC.

Related to the VM-21 change, the "risk not necessarily reflected" is proposed to be removed in the VM-22 draft, as it was not necessary to have in addition to the "risks reflected" and "risks not reflected" sections. The "risks reflected" in VM-21 Section 1.C.1 already specifically states they are those "Directly related to the contracts falling under the scope of these requirements or their supporting assets."

Note that there are no cross-references to VM-21 Section 1.C.3 or 1.C.4 that need to be updated as a result of this change.

Dates: Received	Reviewed by Staff	Distributed	Considered
10/24	SO		
Notes: 2023-11			

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:
   Fred Andersen, FSA, MAAA and Ben Slutsker, FSA, MAAA

   Title of the Issue:
   Clarify expectations on reflection of equity return volatility in VM-30 cash-flow testing.

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-01

   VM-30 Section 3.B (new item 7 with items below renumbered)

   January 1, 2023 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.)

   Add the following definition to VM-01

   - The term "equity-like instruments" means assets <u>excluding surplus notes, bond ETFs, and preferred stock ETFs</u> that include the following:
     - Any assets that, for purposes of risk-based capital C-1 reporting, are in the category of common stock, i.e., have a 30% or higher risk-based capital charge.
     - Any assets that are captured on Schedule A or Schedule BA of the annual statement excluding bonds that receive bond-like designations.
     - Bond funds.

   Add the following subsection 3.B.7. and renumber the items below:

   7. When the form of asset adequacy analysis is cash-flow testing, the actuary should reflect how the volatility of investment returns for equity-like instruments may affect the asset adequacy results under moderately adverse conditions and shall not solely project the anticipated long-term average return (e.g., a single level assumption set to the long-term average).

      a. The following are examples of approaches that may be used to reflect the volatility of such returns:

         i. Stochastic modeling for equity returns, with accompanying analysis of risk metrics.

         ii. As relevant to capture the risk, including up, down, and/or volatile equity return scenarios for each given set of interest rate paths.

iii. Projecting one or more market drops, taking into consideration future points at which cash-flow testing results could be vulnerable to market downturns.

iv. Reflecting a level return assumption set equal to a tail risk metric, for example, setting investment returns to the average of the worst 30% of future scenarios, i.e., CTE70.

b. A qualitative description of why the equity return scenario used in asset adequacy analysis is moderately adverse in light of the company's current or reinvestment portfolio should be provided.

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

This is a next step after what was presented at the August 2023 NAIC meeting, where Actuarial Guideline 53 reviews revealed usage of flat, high, unchanging equity return assumptions for the length of 30+ year projections by many industry members.

Dates: Received	Reviewed by Staff	Distributed	Considered
11/30/23, 2/1/23	SO		
Notes: 2023-12			

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, PhD, FSA, FCAS, MAAA

   Title of the Issue:
   Qualified Actuaries should meet the special qualification standards, in addition to Appointed Actuaries.

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-01 definition of "Qualified Actuary"

   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-01 definition of "Qualified Actuary":

   - The term "qualified actuary" means an individual who is qualified to sign the applicable statement of actuarial opinion in accordance with the Academy qualification standards for actuaries signing such statements and who meets the requirements specified in the Valuation Manual. ~~(Model #820 definition.)~~

     A qualified actuary must meet the basic education, experience and continuing education requirements of the Specific Qualification Standard for Statements of Actuarial Opinion, NAIC Life, Accident & Health, and Fraternal Annual Statement, as set forth in the *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States* (U.S. Qualifications Standards), promulgated by the Academy. An individual qualified actuary must be qualified with respect to the area(s) that they are providing a certification and/or opinion. For example, if there are separate life and variable annuity qualified actuaries providing the relevant certifications for VM-20 and VM-21, they each need to be qualified-in their own respective area.

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

   For reference, the Model 820 Definition of qualified actuary is:
   - The term "qualified actuary" means an individual who is qualified to sign the applicable statement of actuarial opinion in accordance with the American Academy of Actuaries qualification standards for actuaries signing such statements and who meets the requirements specified in the valuation manual.

   Currently, the VM-01 definition of qualified actuary just reiterates that definition. But, as Model 820 specifically calls out "who meets the requirements specified in the valuation manual" adding the specific language is consistent with Model 820.

   It is surprising that this is not already the requirement. The complexity of PBR and the reliance on the PBR actuary calls for this requirement, but the United States Qualification Standard (USQS) currently only requires the specific qualification standard for an appointed actuary, not a qualified actuary. The American

Academy of Actuaries noted the USQS states that the NAIC or individual states may have additional requirements. So, a change to the Valuation Manual is needed to ensure PBR actuaries have the 15 hours of specific continuing education and the more detailed basic education (which can be based on exams or self-study). While most qualified actuaries likely already are satisfying this requirement and some may have interpreted this as the current requirement (and some serve as appointed actuaries as well), this clarification is important where regulators have identified some companies whose qualified actuaries are not as knowledgeable as they need to be. This change will be consistent with feedback given by regulators to those qualified actuaries regarding ongoing education.

Similarly, VM-30 allows the appointed actuary to rely on memoranda that are prepared and signed by actuaries that are "qualified actuary within the meaning of the VM-01 definition thereof, with respect to the areas covered in such memoranda".

Specific sections of the USQS are included below; note that all included topics are broadly applicable to PBR qualified actuaries and actuaries that the appointed actuary is relying on for sections of their own memoranda, as well as appointed actuaries. Therefore, while we have revised the edits to reflect that "individual qualified actuary must be qualified with respect to the area(s) that they are providing a certification and/or opinion" to absolutely ensure that no actuary is being held responsible for areas outside the scope of their work, this may be unnecessary due to the broad applicability of the general topic areas required by the specific qualification standard.

For reference, Section 3.1.1.1 of the USQS regarding Specific Qualification Standard basic education requirement:

> An actuary should successfully complete relevant examinations administered by the American Academy of Actuaries or the Society of Actuaries on the following topics: (a) policy forms and coverages, (b) dividends and reinsurance, (c) investments and valuations of assets and the relationship between cash flows from assets and related liabilities, (d) statutory insurance accounting, (e) valuation of liabilities, and (f) valuation and nonforfeiture laws.

For reference, Section 3.1.2 of the USQS regarding Specific Qualification Standard basic education requirement being satisfied through self-study:

> An actuary may also satisfy this basic education requirement by acquiring comprehensive knowledge of the applicable topics through responsible work and/or self-study. To comply with the basic education requirement through self-study, an actuary must obtain a signed statement from another actuary who is qualified to issue Statements of Actuarial Opinion under the specific qualification standard being met. This statement must indicate that the writer is familiar with an actuary's professional history and that an actuary has obtained sufficient alternative education to satisfy the basic education requirement for the specific qualification standard. A sample statement appears in appendix 2. This statement should be obtained before an actuary issues a Statement of Actuarial Opinion and should be retained by the actuary.

For reference, Section 3.3 of the USQS regarding Specific Qualification Standard continuing education requirement:

> To satisfy the Specific Qualification Standards, an actuary must obtain sufficient continuing education to maintain current knowledge of applicable standards and principles in the area of actuarial practice of the Statement of Actuarial Opinion. At a minimum, an actuary must complete 15 credit hours per calendar year of continuing education that is directly relevant to the topics identified in section 3.1.1. A minimum of 6 of the 15 hours must be obtained through experiences that involve interactions with outside actuaries or other professionals, such as seminars, in-person or online courses, or committee work that is directly relevant to the topics identified in section 3.1.1. Hours that satisfy the continuing education requirement of the Specific Qualification Standards may also be used to satisfy the continuing education requirement of the General

Qualification Standard. Hours of continuing education in excess of the annual requirement may be carried forward one year.

Dates: Received	Reviewed by Staff	Distributed	Considered
12/08/2023, 3/18/24	K.K, S.O.		
Notes: 2024-01			

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:
   Francesco Ugo De Gobbi, ASA, MAAA, Texas Department of Insurance

   Title of the Issue:
   VM-G applies to all PBR, but documentation on VM-G is only provided in the Life PBR Actuarial Report.

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-31 Section 3.C.7 (to be deleted, and Sections 3.C.8 - 3.C.11 renumbered accordingly), VM-31 Section 3.B.6 (to be added, there are no subsequent sections to renumber)

   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-31 Section 3.C.7 (to be deleted, and Sections 3.C.8 - 3.C.11 renumbered accordingly):

   ~~Governance – A statement indicating that governance documentation, including that required by VM-G Section 2.A.5, VM-G Section 3.A.6 and VM-G Section 4.A.3, is available upon request.~~

   VM-31 Section 3.B.6 (to be added, there are no subsequent sections to renumber):

   Governance – A statement indicating that governance documentation, including that required by VM-G Section 2.A.5, VM-G Section 3.A.6 and VM-G Section 4.A.3, is available upon request.

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

   The VM-31 report is missing VM-G documentation for VM-21. VM-31 Section 3.C (Life Summary): numeral 7 has a requirement on Governance, but there is no corresponding requirement in VM-31, section 3.E (VA Summary). This APF is to correct that apparent omission. Rather than repeating the requirement in both the Life and Variable Annuity reports, moving the requirement to the Executive Summary is the most efficient way to ensure the documentation is available in all cases.

   Note: We have performed a search of the current Valuation Manual, and there are no current references to VM-31 Sections 3.C.7 - 3.C.11 that need to be updated for this change.

Dates: Received	Reviewed by Staff	Distributed	Considered
01/24/24	K.K		
Notes: 2024 - 02			

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, Ph.D., FSA, FCAs, MAAA, Texas Department of Insurance

   Title of the Issue:
   Update for more recent Term-to-100 lapse study.

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 9.D.5

   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.)

   5. For a universal life policy that guarantees coverage to remain in force as long as the secondary guarantee requirement is met and during projection periods in which the cash surrender value is zero or minimal, industry experience, for purposes of complying with Section 9.A.6, shall be the *Lapse Experience Under Term-to-100 Insurance Policies* published by the Canadian Institute of Actuaries in ~~September~~ December ~~2015~~2021. During projection periods in which the cash surrender value of such policy is zero or minimal, the assumption shall grade from credible company experience to the rates in the *Lapse Experience Under Term-to-100 Insurance Policies* published by the Canadian Institute of Actuaries in ~~September~~ December ~~2015~~ 2021 in five projection years from the last duration where substantially credible experience is available.

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

   A more recent version of the CIA Term-to-100 study is available, at https://www.cia-ica.ca/app/themes/wicket/custom/dl_file.php?p=38215&fid=34433.

   For the study, the CIA notes that there is less data overall, but substantially more data after the 25th policy year. They also note that lapse rates are uniformly lower after the first duration.

Dates: Received	Reviewed by Staff	Distributed	Considered
3/27/24	S.O.		
Notes: 2024-04			

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:
   Allow jumbo rates for non-jumbo contracts with commissioner approval.

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-22 Section 3.C.3

   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-22 Section 3.C.3

   Statutory maximum valuation interest rates for non-jumbo contracts are determined and published quarterly by the NAIC on the Industry tab of the NAIC website by the third business day of the quarter. For a given premium determination date, the statutory maximum valuation interest rate is the quarterly statutory maximum valuation interest rate published for the quarter in which the premium determination date falls.

   a. For group contracts issued on or after Jan. 1, 2025, a company may elect to consistently determine statutory maximum valuation interest rates for non-jumbo contracts as if they were jumbo contracts.
   b. For group contracts issued on or prior to Dec. 31, 2024, but on or after the operative date of VM-22, a company may elect to consistently determine statutory maximum valuation interest rates for non-jumbo contracts as if they were jumbo contracts if they made the same election for group contracts issued on or after Jan 1, 2025.
   c. For individual contracts issued on or after Jan. 1, 2025, a company may elect to consistently determine statutory maximum valuation interest rates for non-jumbo contracts as if they were jumbo contracts.
   d. For individual contracts issued on or prior to Dec. 31, 2024, but on or after the operative date of VM-22, a company may elect to consistently determine statutory maximum valuation interest rates for non-jumbo contracts as if they were jumbo contracts if they made the same election for individual contracts issued on or after Jan 1, 2025.

   A company electing to use jumbo rates for non-jumbo contracts under the conditions in Section 3.C.3.a through Section 3.C.3.d above must first receive approval from the Commissioner of the state of domicile for such elections. Once a company has elected to use jumbo rates for non-jumbo contracts under the conditions in Section 3.C.3.a through Section 3.C.3.d above, the company shall continue to use jumbo rates for all such non-jumbo contracts for future valuations.

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

This is a follow up on SAPWG's letter that permitted practices do not apply to the minimum valuation requirements laid out in the Valuation Manual. A review confirmed that permitted practices on the Valuation Manual, including on VM-A and VM-C, are not common. The majority either 1) allow the IA method for AG35 business or 2) permit valuation rates to be determined more frequently under certain circumstances. These treatments are reasonable, but there should be a level playing field for all companies. So, these methods are proposed to be incorporated in the Valuation Manual. A separate APF is addressing the frequency of rate determination for funding agreements. The IA Method is being reviewed by SAPWG NAIC support staff, as it involves hedge accounting changes as well as reserve modifications for annuity business.

Dates: Received	Reviewed by Staff	Distributed	Considered
4/1/24, 5/6/24	K.K., S.O.		
Notes: 2024-06			

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:
ACLI and Rachel Hemphill, Texas Department of Insurance

Title of the Issue:
Minimum reserve requirements for deposit-type contracts with pre-defined cash flows and no withdrawal permitted that are not in scope of VM-22.

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:

January 1, 2024, NAIC Valuation Manual, II. Reserve Requirements, Subsection 3: Deposit-Type Contracts

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.)

Subsection 3: Deposit-Type Contracts

A. This subsection establishes reserve requirements for all contracts classified as deposit-type contracts defined in SSAP No. 50 in the AP&P Manual.
B. Minimum reserve requirements for deposit-type contracts are those requirements as found in VM-A, VM-C and VM-22, as applicable.
C. For deposit-type contracts with pre-defined cash flows and no withdrawal permitted prior to the contract maturity date that are not in scope of VM-22, the company may elect to consistently determine statutory maximum valuation rates with the following adjustments to the requirements found in Model #820:
   1. The statutory maximum valuation rate shall be determined monthly;
   2. The reference rate shall be defined as the monthly average of the composite yield on seasoned corporate bonds, as published by Moody's Investors Service, Inc., for the month prior to contract issue; and
   3. The statutory maximum valuation rate shall be rounded to the nearest one-hundredth of one percent (1/100 of 1%).

   The company must receive approval from the Commissioner of the state of domicile before making such an election. Such an election may be made for contracts issued on or after Jan. 1, 2025, or for contracts issued on or after the operative date of the Valuation Manual, but once a company has made such an election, the company shall continue to determine statutory maximum valuation rates using the same methodology for future valuations.

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

Current Methodology
- The valuation rate is determined annually and applied on a calendar year basis.
- It is based on an annual average of interest rates ending on 6/30 of the issue year:
  Val Rate = 3% + Weight x (Reference Rate – 3%), rounded to the nearest 25bps, where:
  - Weight is based on Plan Type, duration, reserve basis, presence of a future interest guarantee.
  - Reference Rate is the average over a period of twelve (12) months, ending on June 30 of the calendar year of issue or purchase, of the MOODCAVG.

Rationale

- The monthly average rate better aligns with the yield on available assets and the interest rate environment at issue than the current valuation rate, which utilizes as the Reference Rate a twelve-month rolling average of the MOODCAVG ending on June 30 of the calendar year of issue.
- The monthly average rate is publicly available.
- The contracts are typically issued in a large size on a single day.
- Statutory reserve valuation rate is not known for the first half of the year.
- Does not result in appropriate valuation rates when there is significant movement in interest rates.
- Insurance companies can find it challenging to generate sufficient returns on new contracts in the current market to cover the higher regulatory reserve requirements.

Dates: Received	Reviewed by Staff	Distributed	Considered
03/26/2024, 4/3/24, 5/7/24	K. K, S.O.		
Notes: APF-2024-05			

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)~~ less any applicable PIMR for all contracts not valued under the Alternative Methodology (Section 7),~~ 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:

a. The greatest present value, as of the projection start date, of the projected accumulated deficiencies; and
b. 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, 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			

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.

   Linda Lankowski, RGA, William Leung, MO DCI

   Annuity mortality tables and non-US lives mortality.

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-M Sections 1 and 2
   - VM-31 Section 3.D.3
   - VM-20 Sections 3.C.1.h, 9.C.3.b and 9.C.3.g

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-M:

Section 1: Valuation and Nonforfeiture Mortality Tables

J. 2012 Individual Annuity Reserve Valuation Table

1. Definitions

a. "2012 IAR Table" means that generational mortality table developed by the Joint Academy/SOA Payout Annuity Table Team and containing rates, q_x^{2012+n}, derived from a combination of the 2012 IAM Period Table and Projection Scale G2, using the methodology stated in the "Application of the 2012 IAR Mortality Table" paragraph of Appendix A-821 of the AP&P Manual.

b. "2012 Individual Annuity Mortality Period Life (2012 IAM Period) Table" means the Period Table containing loaded mortality rates for calendar year 2012. This table contains rates, q_x^{2012}, developed by the Joint Academy/SOA Payout Annuity Table Team and is shown in Appendices 1–2 of Appendix A-821 of the AP&P Manual.

c. "Projection Scale G2 (Scale G2)" is a table of annual rates, $G2_x$, of mortality improvement by age for projecting future mortality rates beyond calendar year 2012. This table was developed by the Joint Academy/SOA Payout Annuity Table Team and is shown in Appendices 3–4 of Appendix A-821 of the AP&P Manual.

K. 2017 Commissioners Standard Guaranteed Issue Mortality Tables

1. "2017 Commissioners Standard Guaranteed Issue Mortality Table" (2017 CSGI) means that 2017 Guaranteed Issue basic ultimate mortality table with 75% loading, consisting of separate rates of mortality for male and female lives, as well as combined unisex rates, developed from the experience of 2005–2009 collected by the SOA. This table was adopted by the NAIC on Aug. 7, 2018 and is included in the NAIC Proceedings of the 2018 Summer National Meeting.

L. 1994 Group Annuity Reserving (1994 GAR) Table

1. "1994 GAR Table" means that mortality table developed by the Society of Actuaries Group Annuity Valuation Table Task Force and shown on pages 866-867 of Volume XLVII of the Transactions of the Society of Actuaries (1995).

M. 1983 Table a

1. "1983 Table 'a'" means that mortality table developed by the Society of Actuaries Committee to Recommend a New Mortality Basis for Individual Annuity Valuation and adopted as a recognized mortality table for annuities in June 1982 by the National Association of Insurance Commissioners. [See 1982 Proceedings of the NAIC II, page 454.]

Section 2: Industry Experience Valuation Basic Tables

A. 2008 Valuation Basic Table (2008 VBT)

B. 2015 Valuation Basic Table (2015 VBT) The 2015 Valuation Basic Table is a valuation table without loads jointly developed by the Academy and SOA for use in determining a company's prudent estimate mortality assumption for valuations of Dec. 31, 2015, and later. The table consists of the Primary table (Male, Female, Smoker, Nonsmoker and Composite), 10 Relative Risk tables for nonsmokers (Male and Female) and four Relative Risk tables for smokers (Male and Female). Rates for juvenile ages are included in the composite tables. The tables are on a select and ultimate and ultimate-only basis and are available on an age nearest and an age last birthday basis.

C. "2012 Individual Annuity Mortality Basic (2012 IAM Basic) Table" means the unloaded mortality table underlying the 2012 IAM Period Table. This was developed from the 2002 experience table, projected with improvement factors to 2012. The 2000-2004 Payout Annuity Mortality Experience Study includes experience for immediate annuities, annuitizations and life settlement options of individual life insurance and annuity death claims. The experience analyzed excluded substandard annuities, structured settlement annuities and variable payout annuities. The experience represented 16 companies over the exposure period. The result of these efforts was a 2002 experience table.

D. The 1994 Group Annuity Mortality Basic (GAM-94 Basic) Table, developed by the Society of Actuaries Group Annuity Valuation Table Task Force and shown on pages 886-887 of Volume XLVII of the Transactions of the Society of Actuaries (1995), is a static mortality table containing unloaded mortality rates for calendar year 1994. The central calendar year of the modified mortality experience is 1988. Mortality experience is projected from the central experience year of 1988 to central year 1994, to produce a 1994 Basic Table.

VM-31:

Section 3.D.3: Life Report Mortality

p. Non-US Mortality – Description and rationale for mortality tables used to value non-US blocks of business, pursuant to VM-20 Section 3.C.1.h and VM-20 Section 9.C.3.b.

i. At implementation and alongside with the five-year (or sooner) non-US mortality table update, provide:
   a) Valuation results before and after the update.
   b) Impact of how much the reserves increase or decrease when using a non-US mortality table instead of the otherwise prescribed US mortality table for all applicable groups of contracts issued to individuals residing outside of the US.
   c) Discussion and support for why mortality is higher or lower in the local jurisdiction than in the relevant US insured population.
   d) Reference to external studies or publications to provide support, whenever available.
   e) A summary of the material submitted to the Life Actuarial (A) Task Force for the approval of the non-US valuation mortality table, non-US industry mortality table and the non-US mortality improvement factors used to bring the non-US industry mortality tables forward or backward to the as of date of the non-US valuation mortality tables.

ii. At all reporting times, provide the disclosure and justification of the mortality improvement factors used to bring the non-US industry mortality table forward to the valuation date.

VM-20:

Section 3.C: Net Premium Reserve Assumptions

Section 3.C.1.h (new):

For a group of policies or certificates issued in foreign countries covering insureds who are not residents of the United States:

i. The company shall use a non-US valuation mortality table based on a non-US industry mortality table developed as described in Section 9.C.3.b.i. Companies using these tables shall seek approval from the Life Actuarial (A) Task Force by addressing to the chair of the Life Actuarial (A) Task Force. The non-US mortality tables that are to be used in the year-end YYYY valuation should be approved the Life Actuarial (A) Task Force before September of YYYY. If this timeline is not met, the company shall use the relevant non-US mortality tables used in the prior year; if there is no relevant prior year non-US mortality tables used, the company shall use the relevant US mortality tables.

ii. Appropriate mortality improvement factors shall be used to bring the non-US industry table forward or backward to the same as of date of the corresponding CSO table.

iii. Margins consistent with the purpose of US statutory reserve methods shall then be added to the (adjusted) unloaded mortality table. For example, the margins in the non-US valuation rate could be determined by a formula such as CSO rate/unloaded CSO rate x non-US (adjusted) industry rate.

iv. When a company uses such non-US valuation mortality table for one block of non-US business, the company shall consistently use the same or similarly developed non-US valuation tables for other non-US business.

v. The provisions in Section 3.C.1.f and 3.C.1.g still apply to the non-US valuation mortality table.

vi. It is the company's responsibility to keep the non-US mortality tables and non-US mortality improvement factors up to date. Starting with 2025, participating companies shall update the non-US mortality tables at least once every five years. A company may request the Life Actuarial (A) Task Force's approval to update sooner when an updated non-US mortality table becomes available.

vii. If requested by the Life Actuarial (A) Task Force, the applying company shall present the non-US tables and non-US mortality improvement factors in relation to the US tables and US mortality improvement factors without infringing any confidential information of the applying company. Confidential information may be presented in a Life Actuarial (A) Task Force regulators only meeting.

Guidance Note: NAIC staff shall consider whether it is appropriate to maintain and/or publish a list of such tables that have been approved.

Section 9.C.3 Determination of Applicable Industry Basic Tables

b. A modified industry basic table is permitted in a limited number of situations where an industry basic table does not appropriately reflect the expected mortality experience, such as joint life mortality, simplified underwriting, substandard or rated lives, or non-US residence. In cases other than modification of the table to reflect joint life mortality and non-US residence, the modification must not result in mortality rates lower than those in the industry basic table without approval by the insurance commissioner.

For blocks of policies or certificates issued in foreign countries covering insureds who are not residents of the United States:

i. the company shall use a relevant no load mortality table developed by the regulatory authority or the local actuarial society for the life insurance industry in the country of residence. When a relevant non-US industry table developed by the regulatory authority or the local actuarial society is not available, the company shall use any well-established industry table that is based on the experience of policies having the appropriate risk characteristics or create an industry table based on the lives having the appropriate risk characteristics.

Adjustments shall be made to include margins consistent with those included in the relevant VBT. These margins for industry experience tables are meant to cover lack of credibility, estimation error, and similar data risks, rather than conservatism. Such mortality tables must be approved by Life Actuarial (A) Task Force before being used for reserve purposes.

ii. When a company uses such non-US Industry mortality table for one block of non-US business, the company shall consistently use the same or similarly developed non-US Industry tables for other blocks of non-US business.

g. Mortality improvement shall not be incorporated beyond the valuation date in the industry basic table. However, historical mortality improvement from the date of the industry basic table (e.g., Jan. 1, 2008, for the 2008 VBT and July 1, 2015, for the 2015 VBT) to the valuation date shall be incorporated using the improvement factors for the applicable industry basic table as determined by the SOA, adopted by the Life Actuarial (A) Task Force and published on the SOA website, https://www.soa.org/research/topics/indiv-val-exp-study-list/ (Individual Life Insurance Mortality Improvement Scale – for Use with AG38/VM20 – 20XX) for US business. For blocks of policies or certificates issued in foreign countries covering insureds who are not residents of the United States, appropriate mortality improvement factors shall be used to bring the non-US industry table forward to the valuation date; such mortality improvement factors must be approved by the Life Actuarial (A) Task Force-before being used for reserve purposes.

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

1994 GAR and 1983 Table a will be needed for valuations using (proposed) VM-22 methodology.

Life insurance that is sold internationally is reinsured into the United States. Mortality for international insureds may vary significantly from that of US insurance markets. The Valuation Manual should be updated to allow for international mortality tables.

* 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
11/15/23, 11/17/23	S.O.		

Notes: 2023-13
LATF re-exposed 2023-13 on 5/23/24 with the edits to 1) strike the sentence "The first year of application is 2025, the first update is 2030." from Section 3.C.1.h(vi) and 2) add a guidance note that states "NAIC staff shall consider whether it is appropriate to maintain and/or publish a list of such tables that have been approved."
LATF adopted the 5/23 re-exposed APF 2023-13 on 6/13/24.

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:
VACRSG

Title of the Issue:
Make updates to VM-21 SPA assumptions that are out of date.

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 6.C.2 (Maintenance Expenses), VM-21 Section 6.C.6 (Full Surrenders), VM-21 Section 6.C.9 (Mortality), VM-21 Section 11.B.3 (Mortality)

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 6.C.2 (Maintenance Expenses)

2. Maintenance Expenses

Maintenance expense assumptions shall be determined as the sum of (a) plus (b) if the company is responsible for the administration or (c) if the company is not responsible for the administration of the contract:

a. Each contract for which the company is responsible for administration incurs an annual expense equal to $100 multiplied by 1.025^(valuation year – 2015) in the first projection year, increased by an assumed annual inflation rate of 2.5% for subsequent projection years.

b. Seven basis points of the projected account value for each year in the projection.

c. Each contract for which the company is not responsible for administration (e.g., if the contract were assumed by the company in a reinsurance transaction in which only the risks associated with a guaranteed benefit rider were transferred) incurs an annual expense equal to $35 multiplied by 1.025^(valuation year – 2015) in the first projection year, increased by an assumed annual inflation rate of 2.5% for subsequent projection years.

Guidance Note: The framework adopted by the Variable Annuities Issues (E) Working Group includes the review and possible update of these assumptions every three to five years.

VM-21 Section 6.C.6 (Full Surrenders)

6. Full Surrenders

The full surrender rate for all contracts shall be calculated based on the Standard Table for Full Surrenders as detailed below in Table 6.3, except for simple 403(b) VA contracts and index-linked VA contracts with no guaranteed living benefits. The Standard Table for Full Surrender prescribes different full surrender rates depending on the contract year and the in-the-moneyness ("ITM") of the contract's guaranteed benefit.

VM-21 Section 6.C.6.f (New Section - Full Surrenders for ILVAs)

f. The full surrender rate for index-linked VA contracts with no guaranteed living benefits shall be:

i. In surrender charge period, or in policy years 1–3 for contracts without surrender charges, 3%.

ii. In the first year after the surrender charge period, 60%.

iii. In subsequent years or in policy years 4 and onwards for contracts without surrender charges, 15%.

VM-21 Section 6.C.6 (Table 6.3 – Standard Table for Full Surrenders)

ITM	In surrender charge period, or in policy years 1–3 for contracts without surrender charges	First year after the surrender charge period	Subsequent years, or in policy years 4 and onwards for contracts without surrender charges
Under 50%	4.0%	25.0%	15.0%
50–75%	3.0%	18.0%	10.0%
75–100%	2.5%	12.0%	7.0%
100–125%	2.5%	8.0%	4.5%
125–150%	2.5%	6.0%	3.0%
150–175%	2.0~~.5~~%	5.0%	2~~.5~~%
175–200%	2.0~~.5~~%	4.5%	~~2.0~~1.5%
Over 200%	2.0~~.5~~%	4.0%	~~2~~1.0%

VM-21 Section 6.C.9 (Mortality)

9. Mortality

The mortality rate for a contract holder with age x in year (2012 + n) shall be calculated using the following formula, where q_x denotes mortality from the 2012

IAM Basic Mortality Table multiplied by the appropriate factor (F_x) from Table 6.9 and $G2_x$ denotes mortality improvement from Projection Scale G2:

$$q_x^{2012+n} = q_x^{2012}(1 - G2_x)^n * F_x$$

Table 6.9

Attained Age (x)	F_x for VA with GLB		F_x for VA without GLB and with roll-up GDB		F_x for All Other	
	Male	Female	Male	Female	Male	Female
<=52	100%	95%	160%	150%	110%	105%
53	99%	95%	160%	152%	110%	106%
54	98%	95%	160%	154%	110%	107%
55	97%	95%	160%	156%	110%	108%
56	96%	95%	160%	158%	110%	109%
57	95%	95%	160%	160%	110%	110%
58	93.5%	93.5%	160%	160%	109%	109%
59	92%	92%	160%	160%	108%	108%
60	90.5%	90.5%	160%	160%	107%	107%
61	89%	89%	160%	160%	106%	106%
62	88%	88%	160%	160%	105%	105%
63	89%	88%	160%	159%	105%	104%
64	90%	88%	160%	158%	105%	103%
~~<=~~65	91%	88%~~80.0%~~	160%	157%	105%	102%~~100.0%~~
66	92%	88%~~81.5%~~	160%	156%	105%	101%~~102.0%~~
67	93%	88%~~83.0%~~	160%	155%	105%	100%~~104.0%~~
68	95%	~~84.5%~~90%	160%	154%	107%	~~106.0%~~101.5%
69	97%	~~86.0%~~92%	160%	153%	109%	~~108.0%~~103%
70	99%	~~87.5%~~94%	160%	152%	111%	~~110.0%~~104.5%
71	101%	~~89.0%~~96%	160%	151%	113%	~~112.0%~~106%
72	103%	~~90.5%~~98%	160%	150%	115%	~~114.0%~~108%
73	103.5%	~~92.0~~99.5%	158%	149%	115%	~~116.0%~~109%
74	104%	~~93.5~~101%	156%	148%	115%	~~118.0%~~110%
75	104.5%	~~95.0~~102.5%	154%	147%	115%	~~120.0%~~111%
76	104.5%	~~96.5~~103.5%	152%	146%	115%	~~119.0%~~112%
77	105%	~~98.0%~~105%	150%	145%	115%	~~118.0%~~113%
78	106.5%	106.5%~~99.5%~~	147%	143%	115%	~~117.0%~~113.5%
79	108%	108%~~101.0%~~	144%	141%	115%	114%~~116.0%~~
80	109.5%	109.5%~~102.5%~~	141%	139%	115%	114.5%~~115.0%~~
81	111%	111%~~104.0%~~	138%	137%	115%	114.5%~~114.0%~~
82	113%	~~105.5%~~113%	135%	135%	115%	115%~~113.0%~~
83	113%	113%~~107.0%~~	132%	132%	114.5%	114.5%~~112.0%~~
84	113%	113%~~108.5%~~	129%	129%	114%	114%~~111.0%~~
85	113%	113%~~110.0%~~	126%	126%	113.5%	113.5%~~110.0%~~
86	113%	113%~~110.0%~~	123%	123%	113.5%	113.5%~~110.0%~~
87	113%	113%~~110.0%~~	120%	120%	113%	113%~~110.0%~~

88	113%	113%~~110.0%~~	119%	119%	113%	~~110.0%~~113%
89	113%	113%~~110.0%~~	118%	118%	113%	~~110.0%~~113%
90	113%	113%~~110.0%~~	117%	117%	113%	~~110.0%~~113%
91	113%	113%~~110.0%~~	113%	116%	113%	~~110.0%~~113%
92	113%	113%~~110.0%~~	115%	115%	113%	~~110.0%~~113%
93	112.5%	112.5%~~110.0%~~	114%	114%	112.5%	~~110.0%~~112.5%
94	112%	112%~~110.0%~~	113%	113%	112%	~~110.0%~~112%
95	111.5%	111.5%~~110.0%~~	112%	112%	111.5%	~~110.0%~~111.5%
96	111%	111%~~109.0%~~	111%	111%	111%	~~109.0%~~111%
97	110%	110%~~108.0%~~	110%	110%	110%	~~108.0%~~110%
98	109%	109%~~107.0%~~	109%	109%	109%	~~107.0%~~109%
99	108%	108%~~106.0%~~	108%	108%	108%	~~106.0%~~108%
100	107%	107%~~105.0%~~	107%	107%	107%	~~105.0%~~107%
101	106%	106%~~104.0%~~	106%	106%	106%	~~104.0%~~106%
102	105%	105%~~103.0%~~	105%	105%	105%	~~103.0%~~105%
103	103.0%	103.0%~~102.0%~~	103.0%	103.0%	103.0%	~~102~~103.0%
104	101.0%	101.0%~~101.0%~~	101.0%	101.0%	101.0%	101.0%
>=105	100.0%	100.0%~~100.0%~~	100.0%	100.0%	100.0%	100.0%

VM-21 Section 11.B.3 (Mortality)

3. No Data Requirements

When little or no experience or information is available on a business segment, the company shall use expected mortality curves that would produce expected deaths no less than the appropriate percentage (F_x) from Table 11.1 of the 2012 IAM Basic Table with Projection Scale G2 for contracts with ~~no~~ VAGLBs, without VAGLB and with roll-up GDB and all other. ~~expected deaths no greater than the appropriate percentage (F_x) from Table 1 of the 2012 IAM Basic Mortality Table with Projection Scale G2 for contracts with VAGLBs~~. If mortality experience on the business segment is expected to be atypical (e.g., demographics of target markets are known to have higher [lower] mortality than typical), these "no data" mortality requirements may not be adequate.

$$q_x^{2012+n} = q_x^{2012}(1 - G2_x)^n * F_x$$

Table 11.1

~~Attained Age (x)~~	~~F_x for VA with GLB~~	~~F_x for All Other~~
~~<=65~~	~~80.0%~~	~~100.0%~~
~~66~~	~~81.5%~~	~~102.0%~~
~~67~~	~~83.0%~~	~~104.0%~~
~~68~~	~~84.5%~~	~~106.0%~~
~~69~~	~~86.0%~~	~~108.0%~~
~~70~~	~~87.5%~~	~~110.0%~~
~~71~~	~~89.0%~~	~~112.0%~~
~~72~~	~~90.5%~~	~~114.0%~~
~~73~~	~~92.0%~~	~~116.0%~~

~~74~~	~~93.5%~~	~~118.0%~~
~~75~~	~~95.0%~~	~~120.0%~~
~~76~~	~~96.5%~~	~~119.0%~~
~~77~~	~~98.0%~~	~~118.0%~~
~~78~~	~~99.5%~~	~~117.0%~~
~~79~~	~~101.0%~~	~~116.0%~~
~~80~~	~~102.5%~~	~~115.0%~~
~~81~~	~~104.0%~~	~~114.0%~~
~~82~~	~~105.5%~~	~~113.0%~~
~~83~~	~~107.0%~~	~~112.0%~~
~~84~~	~~108.5%~~	~~111.0%~~
~~85~~	~~110.0%~~	~~110.0%~~
~~86~~	~~110.0%~~	~~110.0%~~
~~87~~	~~110.0%~~	~~110.0%~~
~~88~~	~~110.0%~~	~~110.0%~~
~~89~~	~~110.0%~~	~~110.0%~~
~~90~~	~~110.0%~~	~~110.0%~~
~~91~~	~~110.0%~~	~~110.0%~~
~~92~~	~~110.0%~~	~~110.0%~~
~~93~~	~~110.0%~~	~~110.0%~~
~~94~~	~~110.0%~~	~~110.0%~~
~~95~~	~~110.0%~~	~~110.0%~~
~~96~~	~~109.0%~~	~~109.0%~~
~~97~~	~~108.0%~~	~~108.0%~~
~~98~~	~~107.0%~~	~~107.0%~~
~~99~~	~~106.0%~~	~~106.0%~~
~~100~~	~~105.0%~~	~~105.0%~~
~~101~~	~~104.0%~~	~~104.0%~~
~~102~~	~~103.0%~~	~~103.0%~~
~~103~~	~~102.0%~~	~~102.0%~~
~~104~~	~~101.0%~~	~~101.0%~~
~~>=105~~	~~100.0%~~	~~100.0%~~

Attained Age (x)	F_x for VA with GLB		F_x for VA without GLB and with roll-up GDB		F_x for All Other	
	Male	Female	Male	Female	Male	Female
<=52	100%	95%	160%	150%	110%	105%
53	99%	95%	160%	152%	110%	106%
54	98%	95%	160%	154%	110%	107%
55	97%	95%	160%	156%	110%	108%
56	96%	95%	160%	158%	110%	109%
57	95%	95%	160%	160%	110%	110%
58	93.5%	93.5%	160%	160%	109%	109%
59	92%	92%	160%	160%	108%	108%
60	90.5%	90.5%	160%	160%	107%	107%
61	89%	89%	160%	160%	106%	106%

62	88%	88%	160%	160%	105%	105%
63	89%	88%	160%	159%	105%	104%
64	90%	88%	160%	158%	105%	103%
65	91%	88%	160%	157%	105%	102%
66	92%	88%	160%	156%	105%	101%
67	93%	88%	160%	155%	105%	100%
68	95%	90%	160%	154%	107%	101.5%
69	97%	92%	160%	153%	109%	103%
70	99%	94%	160%	152%	111%	104.5%
71	101%	96%	160%	151%	113%	106%
72	103%	98%	160%	150%	115%	108%
73	103.5%	99.5%	158%	149%	115%	109%
74	104%	101%	156%	148%	115%	110%
75	104.5%	102.5%	154%	147%	115%	111%
76	104.5%	103.5%	152%	146%	115%	112%
77	105%	105%	150%	145%	115%	113%
78	106.5%	106.5%	147%	143%	115%	113.5%
79	108%	108%	144%	141%	115%	114%
80	109.5%	109.5%	141%	139%	115%	114.5%
81	111%	111%	138%	137%	115%	114.5%
82	113%	113%	135%	135%	115%	115%
83	113%	113%	132%	132%	114.5%	114.5%
84	113%	113%	129%	129%	114%	114%
85	113%	113%	126%	126%	113.5%	113.5%
86	113%	113%	123%	123%	113.5%	113.5%
87	113%	113%	120%	120%	113%	113%
88	113%	113%	119%	119%	113%	113%
89	113%	113%	118%	118%	113%	113%
90	113%	113%	117%	117%	113%	113%
91	113%	113%	113%	116%	113%	113%
92	113%	113%	115%	115%	113%	113%
93	112.5%	112.5%	114%	114%	112.5%	112.5%
94	112%	112%	113%	113%	112%	112%
95	111.5%	111.5%	112%	112%	111.5%	111.5%
96	111%	111%	111%	111%	111%	111%
97	110%	110%	110%	110%	110%	110%
98	109%	109%	109%	109%	109%	109%
99	108%	108%	108%	108%	108%	108%
100	107%	107%	107%	107%	107%	107%
101	106%	106%	106%	106%	106%	106%
102	105%	105%	105%	105%	105%	105%
103	103.0%	103.0%	103.0%	103.0%	103.0%	103.0%
104	101.0%	101.0%	101.0%	101.0%	101.0%	101.0%
>=105	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

VM-21 SPA expense assumption is updated to be consistent with the VM-22 draft, so that expense assumptions reflect inflation and so are kept current without requiring annual updates. Updating baseline inflation, as the historical composite CPI has exceeded Fed targets.

Mortality assumption update based on SOA recommendation.

Surrender assumption update based on regulator survey.

Dates: Received	Reviewed by Staff	Distributed	Considered
4/4/24	S.O.		
Notes: 2024-07 LATF exposed APF 2024-07 with exposure questions 5/16/24 to get feedback on a range of assumption options for VM-21 Section 6.C.6.f(i) and VM-21 Section 6.C.6.f.(ii). LATF adopted 2024-07 on 6/13/24 with the edits to VM-21 Section 6.C.6.f.i to read “In surrender charge period, or in policy years 1–3 for contracts without surrender charges, 3%.” and VM-21 Section 6.C.6.f.ii to read “In the first year after the surrender charge period, 60%.”			

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:

Jonah von der Embse, MAAA, FSA, CERA; Member, PBR Implementation Subcommittee
Dave Neve, MAAA, FSA, CERA; Member, PBR Implementation Subcommittee
Chanho Lee, MAAA, FSA; Member, PBR Implementation Subcommittee
Linda Lankowski, MAAA, FSA; Chairperson, PBR Implementation Subcommittee

The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

Title of the Issue:
Changes to the calculation of the NAER on additional assets for VM-21.

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 4.B.3 (Also applicable to the working draft of VM-22 Section 4.B.3, and would also apply to VM-20 if APF 2023-10 is adopted)

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.)

See attachment.

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

When discussing the NAER on additional assets, the VM's phrasing is vague on how the initial additional asset portfolio is constructed and how it is reinvested.

For the initial additional assets, the subcommittee believes that it is appropriate to modify the VM to add to the guidance note three different strategies of creating this portfolio, including specifying that one option—a pro-rata slice of the actual initial assets—would still be appropriate, as this is consistent with the Direct Iteration Method when solving for the initial assets. Additionally, we believe that it should be specified that the selection of assets to be included in the initial additional asset portfolio be the same across all scenarios. We believe this statement would prevent a situation where a company might allocate cash or different asset types to certain scenarios to produce a higher NAER on additional assets due to knowing the amount of accumulated deficiencies for each scenario.

For the reinvestment, we believe it is appropriate to add the phrase that the additional asset portfolio is also subject to the alternative investment strategy discussed in section 4.D.4.b. As currently drafted, the phrasing allows for enough ambiguity such that a company could reasonably state that it is following the alternative investment strategy for the actual reinvestment while the additional asset portfolio still follows the company best estimate strategy. To promote regulatory consistency with the Direct Iteration Method, we believe it should not be allowed.

Dates: Received	Reviewed by Staff	Distributed	Considered
4/24/24	S.O.		
Notes: 2024-08 LATF exposed for comment 5/30/24 with the word "total" replacing "starting" so that VM-21 Section 4.B.3.a.(i) read as "Pro-rata slice of the total asset portfolio". LATF adopted 2024-08 on 6/13/24 with the edit to strike the word "total" to read VM-21 Section 4.B.3.a.(i) as "Pro-rata slice of the asset portfolio".			

3. Determination of NAER on Additional Invested Asset Portfolio

a. The additional invested asset portfolio for a scenario is a portfolio of general account assets as of the valuation date, outside of the starting asset portfolio, that is required in that projection scenario so that the projection would not have a positive accumulated deficiency at the end of any projection year. This portfolio may include only (i) General Account assets available to the company on the valuation date that do not constitute part of the starting asset portfolio; and (ii) cash assets.

Additional invested assets should be selected in a manner such that if the starting asset portfolio were revised to include the additional invested assets, the projection would not be expected to experience any positive accumulated deficiencies at the end of any projection year. The additional invested asset portfolio can be comprised of one or more of the following:

(i) Pro-rata slice of the asset portfolio

(ii) Cash that is immediately reinvested

(iii) A combination of assets that would be transferred to the portfolio from the general account to cover a potential shortfall

It is assumed that the accumulated deficiencies for this scenario projection are known. Assets selected for the additional invested asset portfolio should be based on the same allocation methodology for all scenarios.

The company should be able to support that these additional assets are not double counted across various PBR calculations. For example, it would be inappropriate to assume the same asset was "transferred to the portfolio from the general account" for the same economic scenario for both VM-21 and VM-22.

~~**Guidance Note:**~~

~~Additional invested assets should be selected in a manner such that if the starting asset portfolio were revised to include the additional invested assets, the projection would not be expected to experience any positive accumulated deficiencies at the end of any projection year. The initial additional asset portfolio can be comprised of one or more of the following:~~

~~Pro-rata slice of the actual initial assets of the portfolio~~

~~Cash that is immediately reinvested~~

~~(i) A combination of assets that would be transferred to the portfolio from the general account to cover a potential shortfall~~

~~It is assumed that the accumulated deficiencies for this scenario projection are known. Assets selected for the initial additional asset portfolio should have the same methodology for all scenarios.~~

~~a.~~b. To determine the NAER on additional invested assets for a given scenario:

i. Project the additional invested asset portfolio as of the valuation date to the end of the projection period,

a) Investing any cash in the portfolio and reinvesting all investment proceeds using the company's investment policy, subject to the alternative investment strategy described in section 4.D.4.b.

b) Excluding any liability cash flows.

c) Incorporating the appropriate returns, defaults and investment expenses for the given scenario.

ii. If the value of the projected additional invested asset portfolio does not equal or exceed the accumulated deficiencies at the end of each projection year for the scenario, increase the size of the initial additional invested asset portfolio as of the valuation date, and repeat the preceding step.

iii. Determine a vector of annual earned rates that replicates the growth in the additional invested asset portfolio from the valuation date to the end of the projection period for the scenario. This vector will be the NAER for the given scenario.

~~If the projection results contain any extremely negative or positive NAER due to the depletion of assets in the denominator, the NAER shall be reset to a more appropriate discount rate, which may be carried out by imposing upper/lower limits or by using another approach, subject to actuarial judgement, that is appropriately prudent for statutory valuation.~~

Guidance Note: There are multiple ways to select the additional invested asset portfolio at the valuation date. Similarly, there are multiple ways to determine the earned rate vector. The company shall be consistent in its choice of methods, from one valuation to the next.

Attachment B

LATF VM Amendment	Valuation Manual Reference	Valuation Manual Amendment Proposal Descriptions	HATF Adoption Date	Page Number
2024-10	VM-26, Section 3.B	Updates the margins for credit disability insurance reserves based on the Society of Actuaries' "2023 Credit Disability Study Report"	5/13/24	40

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.

Christopher H. Hause, FSA, MAAA Principal at Hause Actuarial Solutions and Chair of the Society of Actuaries' Credit Insurance Experience Committee.

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, section VM-26, Section 3.B. Contract Reserves for Credit Disability Insurance.

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.)

Please see attached redline and "clean" version of the proposed changes.

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

Credit Disability experience has gradually improved since the original (1997) credit disability study. The 2022 study indicates that the current valuation standard contains claim costs that are from 190% to 276% of actual claim cost experience, based on the SOA's "2023 Credit Disability Study Report." The variations in the range shown above occur by elimination period and occupation class distributions observed over the period studied (2014 through 2022). The proposed changes to VM-26 remove the 12% addition to the 1985 CIDA incidence rates for newly issued contracts, since the addition of the 12% constitutes a margin that is no longer needed or justified by experience.

* 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
5/13/24	S.O.		
Notes: 2024-10			

B. Contract Reserves

1. Contract reserves are required for all contractual obligations, which have not matured, of a company arising out of the provisions of a credit disability insurance contract consistent with claim reserves and unearned premium reserve, if any, held for their respective obligations.

2. The methods and procedures for determining contract reserves for credit disability insurance must be consistent with the methods and procedures for claim reserves for any contract, unless appropriate adjustment is made to assure provision for the aggregate liability. The date of incurral must be the same in both determinations.

3. The morbidity assumptions for use in determining the minimum standard for valuation of single premium credit disability insurance contract reserves are:

a. For contracts issued to be effective prior to January 1, 2025:

i. For plans having less than a 15-day elimination period, the 1985 Commissioners Individual Disability Table A (85CIDA) with claim incidence rates increased by 12%.

ii. For plans having greater than a 14-day elimination period, the 85CIDA for a 14-day elimination period with claim incidence rates increased by 12%.

b. For contracts issued to be effective January 1, 2025 and later:

i. For plans having less than a 15-day elimination period, the 1985 Commissioners Individual Disability Table A (85CIDA).

ii. For plans having greater than a 14-day elimination period, the 85CIDA for a 14-day elimination period.

4. The minimum contract reserve for credit disability insurance, other than single premium credit disability insurance, is the gross pro-rata unearned premium reserve.

5. The maximum interest rate for use in determining the minimum standard for valuation of single premium credit disability insurance contract reserves is the maximum rate allowed in Model #820 for the valuation of whole life insurance issued on the same date as the credit disability insurance contract.

6. A company shall not use a separate mortality assumption for valuation of single premium credit disability insurance contract reserves since premium is refunded upon death of the insured.

7. Use of approximations is permitted, such as those involving age groupings, average amounts of indemnity and grouping of similar contract forms; the computation of the reserve for one contract benefit as a percentage of, or by other relation to, the aggregate contract reserves exclusive of the benefit or benefits so valued; and the use of group methods and approximate averages for fractions of a year or otherwise.

8. Annually, a company shall conduct a review of prospective contract liabilities on contracts valued by tabular reserves to determine the continuing adequacy and reasonableness of the tabular reserves. The company shall make appropriate increments to such tabular reserves if such tests indicate that the basis of such reserves is not adequate.

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