Actuarial Society of Greater New York

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VM-20 and Life PBR Actuarial Report Updates

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Kendria is a Manager with PwC's Actuarial Services practice where she focuses on assisting insurers with model conversions and modernization considerations for recent accounting changes, including PBR.

Presenter biographies

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Tim is Principal of Cardinalis 1 Consulting focusing on VM-20 consulting, PBR Actuarial Report peer reviews and GAAP LDTI implementations. He has 30 years of experience. For 19 years he was an Executive Officer with a mid-size insurer and was head of the actuarial financial reporting, corporate actuarial, and risk management departments. He is a 2014 SOA Volunteer of the Year recipient, has served on numerous industry councils and committees, and is a frequent author and presenter on a variety of business, actuarial and risk management topics. Tim is the author of the SOA commissioned PBA Implementation Guide and Sequel and developer of two online PBA courses.



APFs adopted for 2020 VM-20





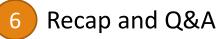
APFs adopted for 2021 VM-20



Amendment to New York Regulation 213



2020 VM-31 Life PBR Actuarial Report changes



Mortality related APFs adopted for 2020 VM-20

APF and description	Key language updates	Actions	
2018-17: aggregation of mortality segments, credibility, company experience mortality rates	VM-20 Section 9.C VM-31 Section 3.C.3	Re-visit mortality assumption development and rationale	
2018-45: clarified adjustments to company experience mortality rates when company experience is higher than industry table	VM-20 Section 9.C.3.h	<i>If</i> PV(company) > PV(industry) at t, grading begins <i>then</i> adjust industry table	
2019-16: provided greater clarity on grading from company experience to industry table	VM-20 Section 9.C.7.b Grading table and detailed instructions for grading from company experience to the industry table added	Refer to VM-20 Section 9.C.7.b for appropriate grading procedures	

Mortality Aggregation

- Segments = groups of policies ... expected to have different mortality experience (9.C.1.a)
- Company experience data (9.C.2.b)
 - 1. Within segment
 - 2. Within company with similar underwriting (UW)
 - 3. Other sources with similar UW and expected mortality characteristics
- May aggregate segments: similar UW processes, similar mortality experience (9.C.2.d)
- Company experience mortality rates (9.A.6.a and 9.C.2.d.vi)
 - Top-down (9.C.2.d.vi.a), Bottom-up (9.C.2.d.vi.b), Two-step (APF 2020-08)
 - Conserve deaths

Other non-reporting APFs adopted for 2020 VM-20

APF and description	Key language updates	Actions	
2018-42: clarified when capping of face amounts is appropriate	VM-20 Section 9.C.2.g: "A ceiling on the amount of insurance for a given policy is not permitted."	If capping the amount of insurance in company experience mortality calculation If not capping amount of insurance	•
2018-44: revised the index credited rate for the DR scenario for IUL	VM-20 Section 7.F.4.a: "[U]se X% of the amount spent on options [], where X is equal to 100% in projection years 1–20 and 108% in projection years 21+"	If doing anything other than what is prescribed in Section 7.F.4.a *Note: Section 7.F.4.a is a new section in the VM for 2020	
2019-01: modified DET for conservatively reserved policies	VM-20 Section 6.B.2.b	If calculating a DR for policies converting to something other than Term / UL with a material secondary guarantee	•

2020 VM-31 Life PBR Actuarial Report changes

- Valuation Analysis (E) Working Group review of 2017 Reserves Supplements and PBR Actuarial Reports led to list of 36 recommendations
 - Additional documentation and formal statements that VM-20 guidance was followed
- 2018 review of PBR reports
- Prescribed templates
 - Template A: Distribution of Direct Life Insurance Business
 - Template B (optional): Distribution of Assumed Life Insurance Business
 - Template C: Company Experience Studies
- Assumptions summary for PBR Actuarial Report
- Updated VM-20 Reserves Supplements

APFs adopted for 2021 VM-20

APF and description	Key language updates	Potential actions
2019-60: allows for use of different credibility methods for significantly different blocks of business	VM-20 Section 9.C.5.a: "[] Not all blocks of a company's business subject to VM-20 necessarily need to use the same credibility method."	Can now use Limited Fluctuation for simplified issue business and Bühlmann for other business
2019-62: emphasizes need to reserve for additional risk arising from term conversions	VM-20 Section 9.C.4.d: The company must ensure excess mortality is appropriately reflected []. This includes [] excess mortality associated with policies issued via conversions from term policies []."	Requirement is already in the VM, this APF emphasizes the requirement and outlines what is to be included in Life PBR Actuarial Report
2020-06: provides broad guidance for LIBOR replacement in swap spread calculations	VM-20 Section 9.F.8.d "[] When the NAIC determines LIBOR is no longer effective, the NAIC shall recommend a replacement to LATF []."	Alternative Reference Rates Committee, Federal Reserve working group, has selected SOFR as the alternative to LIBOR

Changes to Standard Nonforfeiture Law

- 2020-07: Removal of 4% floor
- LATF adoption of 0.15% nonforfeiture floor
- Be prepared to adapt pricing and illustrations for changes to SNFL

Pending APFs for 2021 VM-20

- 2020-09: PBR exemption
 - Allow exemptions for companies with all new issues for PBR being due to conversions or exercise of options/features under existing policies
 - No required annual filing for statement of exemption introduce ongoing exemption
- Modeling of non-guaranteed YRT reinsurance
 - Replacement of current ½ Cx interim solution
 - Criteria to assess solutions
- 2020-08: Additional permissible technique for company experience mortality calculation
 - Top-down approach
 - o Bottom-up approach
 - Two-step: Meet in the middle

New York PBR Regulation 213

- Amendment to Regulation 213 adopted in February 2020
- Hybrid PBR approach that adds more conservatism to NAIC PBR reserves
- Term insurance reserves are set equal to the greater of
 - Aggregate pre-reinsurance reserve under VM-20, and
 - Greater of
 - Sum of the cash surrender value
 - 70% of the total NY 147 seriatim reserve
- NY Domestics can request a delay of up to 1 year for implementing the new reserve standards



- Various APFs adopted for 2020 valuation and reporting
- Begin thinking about how to adapt for APFs adopted for 2021 valuation
- Ensure pricing and illustrations are compliant with changes to SNFL
- Be prepared for NY Regulation 213

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