

Valuation Manual 2023 – Anticipated Changes and Additions impacting Principle-Based Reserving

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During the National Association of Insurance Commissioners (NAIC) Summer 2022 National Meeting in August 2022, Life Actuarial Task Force (LATF) adoptions of the following Amendment Proposal Forms (APFs) are expected to be confirmed. These changes will then appear in the 2023 edition of the Valuation Manual. This material is summarized from the NAIC’s publication “VM Maintenance Agenda 6-1-22_1.xlsx,” located on the NAIC website under Industry/Principle-Based Reserving.

REFERENCE	SUMMARY OF CHANGES
APF 2021-11 VM-21 New Section Providing Assumption Guidance	VM-21 will have a new section titled “Other Guidance and Requirements for Assumptions,” reading similarly to VM-20 language. <ul style="list-style-type: none"> ▪ New section will provide specific requirements for assumptions that are not already covered in VM-21, in particular the expense assumptions. ▪ Assumption requirement language, sensitivity testing language, and scenario-dependent assumption language will be included in this new section. These paragraphs read similarly to VM-20’s text. ▪ Assumption margins language is also included in a manner similar to VM-20 text. ▪ APF 2021-11 also imparts these changes to the reporting requirements of VM-31. For example, a statement confirming the use of fully allocated expenses, sections requiring disclosure of sensitivity tests, and impact of margins.
APF 2021-12 VM-21 Clarifies Assumption Requirements for VA Without Minimum Guaranteed Benefits	Corrects a section reference in Section 6.B.3 of VM-21. Prescribed assumptions in Section 6.C.4 now clarify partial withdrawal assumptions and account value depletions specifically for contracts with no minimum guaranteed benefits. Prescribed assumptions in Section 6.C.10 and 11 now clarify the voluntary contract termination assumption for contracts with no minimum guaranteed benefits.
APF 2021-13 VM-20 Mortality Margins	Section 9.C.6. on prescribed mortality margins will include a new paragraph at the end (9.C.6.e) requiring that when use of the prescribed mortality margins set forth in Section 9.C.6 does not produce a reserve increase—such as when valuing a life insurance contract with a long-term care (LTC) rider—then the company shall derive and use margins that do produce an appropriately conservative result.
2022-01 VM-20 Reinsurance	Clarifies that Section 8.C.18, non-guaranteed yearly renewable term (YRT) reinsurance, includes retrocession arrangements that cover non-guaranteed YRT reinsurance and similar agreements.
2022-02 VM-31 requirements around implied volatility scenarios	Harmonizes the VM-31 language around implied volatility scenarios (which is difficult to follow) to the VM-21 language.
2022-03 VM-20, VM-21, VM-31	General cleanup, including updating cross-references, better consistency between VM-20 and VM-21, where reasonable, and making clarifying edits.
2022-05 VM-51, Appendix 1, 4	Revision to VM-51 data elements: adding dividend plan code and COVID-19 indicator, among other changes.

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