Comment #4 – 12-16-13 – 1:25 p.m.

Net Premium Reserve (NPR)

The NPR is treated as the floor in the minimum reserve calculation of VM-20, but the exposure draft doesn't offer any guidance on its calculations. VM-20 defines the NPR as a terminal reserve, but the terminal reserve concept does not work with the shadow account pieces of the calculation, which are point in time. Additional clarification around how to handle timing for flexible premium policies would be useful.

VM-20 does not define how to calculate the NPR on the policy issue date for ULSG policies. More guidance on this would be useful.

Internally, we have multiple interpretations of how to calculate a ceded reinsurance credit for the NPR. More guidance as to how these credits should be calculated would be useful.

Pretax Interest Maintenance Reserve (PIMR)

PIMR is a complicated topic within VM-20, but this ASOP offers no guidance as to how it should be modeled. There is an outstanding amendment proposal which, if approved, will greatly simplify the modeling. However, if the amendment is not approved, more guidance on the treatment of PIMR would be useful.

Working Reserves

There is no mention of a working reserve in VM-20, but for RBC C3 Phase 3 it is defined as the cash surrender value. We have been assuming the working reserve in our VM-20 calculations is zero in all years, but a clarification would be helpful.

General

The Valuation Manual (VM) is an evolving document with several outstanding amendment proposals and several groups working to determine if additional changes or clarifications are needed. The version of the VM on its initial effective date may include significant changes to the current version, and additional changes may come soon after the initial effective date as experience is gathered. Therefore, we feel the release of this ASOP should coincide with the initial effective date of the VM, and additional comment periods should be opened as the document evolves.

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Emerging Actuarial Issues