

## 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.

William C Weller, Consultant to America’s Health Insurance Plans

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-25 of the 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 1 (paragraph 1 is unchanged, paragraph 2 is all new)

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

With impending changes to the calculation of the single premium immediate annuities valuation interest rate, this proposed change is to allow for the calculation of the calendar year maximum valuation interest rate for certain claim reserves to remain unchanged. The proposed wording provides for the direct calculation (derived from Appendix A-802) but the formula has been revised to replace W with the single value of .8 and to reduce the formula value of .03 by one hundred basis points.

---

\* 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:**

<b>Dates:</b> Received	Reviewed by Staff	Distributed	Considered
<b>Notes:</b>			

## Attachment 1

### VM-25 HEALTH INSURANCE RESERVES MINIMUM RESERVE REQUIREMENTS

#### A. Purpose

#### **VM-25 HEALTH INSURANCE RESERVES MINIMUM RESERVE REQUIREMENTS**

##### **A. Purpose**

1. Reserve requirements for individual accident and health insurance policies issued on and after the valuation manual operative date and reserve requirements for group accident and health insurance certificates issued on and after the valuation manual operative date are applicable requirements found in the Accounting Practices and Procedures Manual (APPM), Appendix A, which includes A-10, and applicable requirements found in the APPM Appendix C, which includes AG28, AG44, AG47 and AG50.
2. The following requirement in Exhibit 1 paragraph 5 of Appendix A-10 with respect to claims incurred on or after January 1, 2018:

For claim reserves on policies not requiring contract reserves, the maximum interest rate is the maximum rate allowed by Appendix A-820 in the valuation of single premium immediate annuities issued on the same date as the claim incurral date, reduced by 100 basis points.

is replaced with:

For claim reserves on policies not requiring contract reserves, the maximum interest rate ( $I$ ) shall be the calendar year statutory valuation interest rates as defined by

$$I = .02 + .8 * (R - .03)$$

Where  $R$  is the average, over a period of twelve (12) months, ending on June 30 of the calendar year of the claim incurral date, of the monthly average of the composite yield on seasoned corporate bonds, as published by Moody's Investors Service, Inc. The calculated value of  $I$  shall be rounded to the nearer one-quarter of one percent (1/4 of 1%).