

Statutory Valuation of Individual Life and Annuity Contracts

Errata for Volume 2

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1. Introduction

The purpose of this document is to provide a list of the errata for Volume 2 of the *Statutory Valuation of Individual Life and Annuity Contracts*.

2. Chapter 23

2.1 Page 23

The last sentence of the first paragraph on Page 23 of Section 23.3:

As was discussed in Chapters 13 and 14, a term insurance policy or a universal life insurance policy with secondary guarantees may be subject to calculations based on VM-20 even if it was issued prior to January 1, 2017.

should be changed to:

A term insurance policy or a universal life insurance policy with secondary guarantees may be subject to calculations based on VM-20 even if it was issued prior to January 1, 2017. One example of where calculations based on VM20 may apply for a policy issued prior to 1/1/2017 is a policy that falls under Actuarial Guideline 38 section 8D. This section applies to certain ULSG policies (those with multiple charges or credits) issued between 7/1/2005 and 12/31/2012, and generally requires (with some exceptions) that the reserve be the greater of the one according to the methodology previously used by a company or the reserve calculated according to the Valuation Manual (with some modifications).

2.2 Page 37

The formula in the first paragraph on Page 37 of Section 23.6.1:

$$r_{[x_i]+t}^P = \frac{A_{[x_i]+t}}{m P_{[x_i]} \cdot \ddot{a}_{[x_i]+t:m-t}^r} \quad \text{if } t \geq m_0$$

should be changed to:

$$r_{[x_i]+t}^P = \frac{m P_{[x_i]} \cdot \ddot{a}_{[x_i]+t:m-t}^r}{A_{[x_i]+t}} \quad \text{if } t \geq m_0$$

2.3 Page 57

The first sentence in quote on the top Page 57 of Section 23.7.2:

“Calculate the deterministic reserve as ab where...

should be changed to:

“Calculate the deterministic reserve as $a-b$ where

2.4 Page 59

Item (6) in the first paragraph on Page 59 of Section 23.8:

(6) The stochastic reserve is the sum of CTE 70, the additional amount from Step 5, and PIMR balance

should be changed to:

(6) The stochastic reserve is the sum of CTE 70, the additional amount from Step 5, less the PIMR balance

Specifically, with respect to the PIMR, the PIMR should be subtracted from the ultimate reserve number (deterministic and stochastic), because the Interest Maintenance reserve is a reserve item, meant to be paid out as a substitute for investment earnings and high income assets that were sold that were originally purchased to support that product (or low income assets that were sold at losses, to reflect their negative earnings.) Therefore, the sign in the Chapter 23 VUL spreadsheet should be subtracting the PIMR.

Separately, with regard to the opening statement that the PIMR “is always included with other liabilities where determining the starting assets”, the Valuation Manual makes it clear that there are three asset choices and the PIMR is only in one (See Guidance Note in the 2020 Valuation Manual, page 20-30). The 2020 Valuation Manual can be found at:

https://www.naic.org/documents/pbr_data_val_2020_edition.pdf?96