NAIC Announcement – Publication of VM-20 and VM-22 Tables

Beginning in January, 2018, a number of tables required for VM-20 and VM-22 will be published under the Industry tab on the NAIC website home page (www.naic.org).

Background

As noted in the Introduction to the 2018 Valuation Manual, certain designated tables related to asset spreads, default costs, and valuation interest rates contained in the Valuation Manual are intended to be updated routinely, as they provide current reference data integral to calculations. These tables have a prescribed process as defined in the Valuation Manual. Updates to these tables in accordance with this process are not considered to be an amendment of the Valuation Manual itself, and are not subject to the requirements of Section 11C of Model #820 for the amendment of the Valuation Manual. These routine updates will not require exposure or adoption by the Life Actuarial (A) Task Force/Health Actuarial (B) Task Force.

Specific Tables to be Published, and Timing of Updates

The specific tables for VM-20 and VM-22 calculations which will be published by the NAIC are as follows:

1. VM-20 Table A: Prescribed Baseline Annual Default Costs
   Table A will be updated annually. Since the annual default cost raw data is released late in the first quarter of the year, Table A updates are expected to be made and published to the NAIC website in the second quarter.

2. VM-20 Asset Spread Tables F through J
   Tables F and G provide current market benchmark spreads for investment grade bonds and below investment grade bonds, respectively. Tables H and I provide long-term benchmark spreads for investment grade bonds and below investment grade bonds, respectively. Table J provides current and long-term benchmark swap spreads.

   Current spread data (Tables F and G, and the current swap spreads in Table J) will be updated monthly by the 5th business day of the following month. Long-term spreads (Tables H and I, and the long-term swap spreads in Table J) will be updated quarterly by the 5th business day following the end of each quarter.

3. VM-20 Table K: Conversion from NAIC ARO Ratings and NAIC Designations to PBR Numeric Ratings
   This table will be updated as needed.

4. VM-22 Maximum Valuation Interest Rates
   VM-22: Maximum Valuation Interest Rates for Income Annuities goes into effect on 1/1/18. The NAIC will calculate and publish the statutory maximum valuation interest rate as defined for non-jumbo contracts by
the 5th business day of each quarter. The statutory maximum valuation interest rate as defined for jumbo contracts will be published daily on the next business day.

Since the NAIC will be calculating maximum valuation interest rates, Tables 3 through 6 referenced in VM-22 will not be published. These tables are inputs to the maximum valuation interest rate calculation.

Note: For the purposes of VM-22 only, a version of Table F (referenced in VM-22 Section 2.G) will be used in the NAIC’s calculation of maximum valuation interest rates. This version will be based on a quarterly average, and therefore will not match the spreads shown in VM-20 Table F, which are as of the last business day of each month. Since the version of Table F applicable for VM-22 is only used as an input to the maximum valuation interest rate calculation, it will not be published.

5. VM-20/VM-22 Data Archive
   This will contain all of the above items for prior calendar years.

6. Maximum Reserve Valuation and Maximum Life Policy Non-forfeiture Rates
   A link will be provided to these rates found on the New York Department of Financial Services website.

7. Mortality Tables
   A link will be provided to the 2017 CSO, 2015 Valuation Basic, and Relative Risk mortality tables found on the Society of Actuaries website.