



January 24, 2025

Rachel Hemphill
Chairperson, Life Actuarial (A) Task Force
National Association of Insurance Commissioners
Via email:

Re: APF 2024-16

Dear Chairperson Hemphill:

On behalf of the Life Products Committee (the Committee) of the American Academy of Actuaries,¹ I appreciate the opportunity to provide comments to the Life Actuarial Task Force (LATF) regarding APF 2024-16 exposed for comment until January 27, 2025.² The Committee believes this is an important issue and appreciates LATF's consideration of public comments.

We feel that having a single nonforfeiture interest rate (as opposed to potentially multiple interest rates) in testing nonforfeiture of a life insurance contract has the advantages of simplicity and consistency with how a single interest rate is applicable to any contract under Section 7702 of the Internal Revenue Code. However, we appreciate that regulators want to provide guidance that each set of guarantees should stand on its own, since each set of guarantees could affect the cash surrender value paid out to the policyholder as proposed by APF 2024-16.

We would support the concept of a safe harbor whereby if a contract with multiple sets of guarantees has different sets of guaranteed interest crediting rates, acquisition expense charge rates, and cost of insurance charge rates, the maximum of the guaranteed interest rates (which would correspond to the lowest initial expense allowance and the fastest amortization of any unused initial expense allowance), and the maximum of the acquisition expense charge rates and cost of insurance charge rates across all of the sets of guarantees could be used in performing a single demonstration of nonforfeiture compliance.

We believe the below suggested amended language adds more clarity on the testing and incorporates the safe harbor concept for a policy design in which only the guaranteed interest crediting rates vary

¹ The American Academy of Actuaries is a 20,000+-member professional association whose mission is to serve the public and the U.S. actuarial profession. For 60 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

²[APF 2024-16](#)

amongst the sets of guarantees. We suspect that this last design is the most typical one with multiple sets of guarantees currently on the market, so we have focused on it.

Guidance Note: For flexible premium universal life insurance policies, as defined in Section 3.D of the Universal Life Insurance Model Regulation (#585), this is not intended to prevent an interest rate guarantee less than the nonforfeiture interest rate. However, where the cash surrender value is based on more than one set of guaranteed interest crediting rates, expense charge rates, and/or cost of insurance rates (whether applicable only to portions of the policies' cash surrender values or alternatively to the policies' entire cash surrender values as a whole), the policies must comply with nonforfeiture requirements reflecting each set of guarantees when applying Universal Life Insurance Model Regulation (#585). In the demonstration of compliance for each set of guarantees:

1. the benefit charges must reflect applicable guaranteed cost of insurance rates;
2. the administrative and acquisition expense charges must reflect the applicable guaranteed expense charge rates; and
3. the interest rate used in (1) accumulating premiums, benefit charges, administrative expense charges, and acquisition expense charges; (2) calculating initial and additional expense allowances; and (3) amortization of unused initial and additional expense allowances must all be at least equal to the applicable guaranteed interest crediting rates (but not higher than the maximum nonforfeiture interest rate).

If all of the sets of guarantees provided by the policy have the same guaranteed expense charge rates and cost of insurance charge rates, but have varying guaranteed interest crediting rates, then a single demonstration using the common guaranteed expense and cost of insurance rates, and interest rates at least equal to the highest of the guaranteed interest crediting rates across all of the sets of guarantees (but not higher than the maximum nonforfeiture interest rate) is acceptable.

If you have any questions or would like to discuss these comments further, please contact [Amanda Barry-Moilanen](#), the Academy's policy project manager, life.

Sincerely,

Donna Megregian, MAAA, FSA
Chairperson, Life Products Committee
American Academy of Actuaries

CC: Jennifer Frasier, Scott O'Neal (NAIC)