**Life Actuarial (A) Task Force Exposure 8/29/24:**

**APF 2024-14 and Exposure Question**

**Please include comments on the exposure question in addition to language in APF 2024-14 (Starting on page 2).**

Commenters are requested to comment on whether it would be preferable to specify a specific number of years that are required for historical data reporting, in addition to any other comments on the exposure.

**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.

**Identification:**

Rachel Hemphill, Texas Department of Insurance

**Title of the Issue:**

Add reporting on waiver of surrender charges.

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-31 Section 3.F.3.f, January 1, 2025 NAIC 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.)

f. Lapses and Full Surrenders – Description and listing of lapse or full surrender rates, including:

1. For contracts with VAGLBs, two comparisons of actual to expected lapses where “expected” equals (1) anticipated experience assumptions used in the development of the SR; and (2) the assumptions used in the development of the additional standard projection amount, and the “actual” is separated by logical blocks of business, duration (e.g., during and after surrender charge period), ITM (consistent with dynamic assumptions), and age (to the extent that age affects the election of benefits lapse). These data shall be separated by experience incurred in the past year, the past three years, and all years.
2. If experience for contracts without VAGLBs is used in setting lapse assumptions for contracts with in-the-money or at-the-money VAGLBs, then a detailed explanation of the appropriateness of the assumption and a demonstration of the relevance of the experience to the business.
3. A listing of all conditions under which surrender charges may be waived (e.g., financial hardship, home displacement, etc.), historical data showing how frequently surrender charges are waived, and a description of how such features are reflected in the valuation.

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

During a Compact Product Standards Committee meeting, it was noted that there have been requests from industry to expand the list of criteria for waiver of surrender charges on annuities (financial hardship, home displacement, etc.). Reporting is being added to assess the materiality of these waivers and any potential valuation implications.

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| **Dates:** Received | Reviewed by Staff | Distributed | Considered |
| 08/15/2024 | KK |  |  |
| **Notes:** APF 2024 - 14. LATF exposed 8/29/24 for 21 days with cover letter asking for comments on whether it would be preferable to specify a specific number of years that are required for historical data reporting, in addition to any other comments on the exposure. | | | |