

For individual fixed deferred annuity contracts and the fixed portion of individual variable annuities (excluding those policies with guaranteed living benefits), lapse rates of 20%, 40%, 60%, and 80% should be assumed when the calculated spread (CS) equals 100 bps, 200 bps, 300 bps, and 400 bps, respectively (and interpolated in between these rates).

The CS should be determined as the following: $CS = C - (CR + SC/3 + (GR - 1\%)/2)$

where C = competitor rate
CR = credited rate
SC = surrender charge
GR = guaranteed rate

The competitor rate assumptions used should be explicitly stated and justified. The CS should be floored at zero. This test should be performed for each of the increasing scenarios (i.e., those specific scenarios referenced in Sections 95.10(d)(1)(ii), (iii), and (iv) of Regulation 126) to the extent relevant and credible experience is unavailable to support an alternative assumption. If relevant and credible experience is available, then see the Special Sensitivity Test section of this letter.

There are a couple of things to note for the NY SCL lapses calculated below:

- The calculations below are based on the competitor rates, credited rates, and surrender charges from the spreadsheet, Tabular Values for the Graphs, linked to in the meeting material.
- The SCL formula does not incorporate base lapse rates.
- The calculated spread should be floored at 0 but was not for demonstration purposes.
- The SCL uses the guaranteed rate in the formula while VM22 does not appear to. We assumed 1% and 3% in our calculations. I tried to keep everything else consistent.
- This part of the SCL applies to the lapse rates within the increasing interest rates scenarios.

In Surrender Charge Period						
Base Lapse Rate: 2.5%			NY SCL			
Surrender Charge: 5%			Guaranteed Rate: 1%		Guaranteed Rate: 3%	
MR-CR	PHBDG	Academy	Calculated Spread	Dynamic Lapse	Calculated Spread	Dynamic Lapse
2.00%	5.08%	5.13%	0.33%	6.67%	-0.67%	0.00%
3.00%	11.76%	6.63%	1.33%	26.67%	0.33%	6.67%
4.00%	23.99%	8.13%	2.33%	46.67%	1.33%	26.67%
5.00%	42.77%	9.63%	3.33%	66.67%	2.33%	46.67%

Shock						
Base Lapse Rate: 35.0%			NY SCL			
Surrender Charge: 0%			Guaranteed Rate: 1%		Guaranteed Rate: 3%	
MR-CR	PHBDG	Academy	Calculated Spread	Dynamic Lapse	Calculated Spread	Dynamic Lapse
2.00%	38.44%	43.75%	2.00%	40.00%	1.00%	20.00%
3.00%	47.35%	48.75%	3.00%	60.00%	2.00%	40.00%
4.00%	60.00%	53.75%	4.00%	80.00%	3.00%	60.00%
5.00%	60.00%	58.75%	5.00%	80.00%	4.00%	80.00%

Post Shock						
Base Lapse Rate: 10%			NY SCL			
Surrender Charge: 0%			Guaranteed Rate: 1%		Guaranteed Rate: 3%	
MR-CR	PHBDG	Academy	Calculated Spread	Dynamic Lapse	Calculated Spread	Dynamic Lapse
2.00%	13.44%	20.50%	2.00%	40.00%	1.00%	20.00%
3.00%	22.35%	26.50%	3.00%	60.00%	2.00%	40.00%
4.00%	38.65%	32.50%	4.00%	80.00%	3.00%	60.00%
5.00%	60.00%	38.50%	5.00%	80.00%	4.00%	80.00%