**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:**

Brian Bayerle, ACLI

**Title of the Issue:**

Remove 4% Floor from Life Standard Nonforfeiture Rate.

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:

January 1, 2020 NAIC Valuation Manual – VM-02 Section 3.A

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.)

See attached.

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

Upon any possible tax code (IRC, S. 7702) modifications to remove the hardcoded interest rate floor starting in 1/1/2021, the life standard nonforfeiture rate is being updated to ensure the minimum funding under state requirements does not exceed the maximum funding under federal requirements for life insurance contracts issued starting in 1/1/2021.

\* This form is not intended for minor corrections, such as formatting, grammar, cross–references or spelling. Those types of changes do not require action by the entire group and may be submitted via letter or email to the NAIC staff support person for the NAIC group where the document originated.

NAIC Staff Comments:

|  |  |  |  |
| --- | --- | --- | --- |
| **Dates:** Received | Reviewed by Staff | Distributed | Considered |
| 05/19/20 |  |  |  |
| **Notes:** VM APF 2020-07 | | | |

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**VM-02**

**Version 1: Remove floor**

### **Section 3: Interest**

1. The nonforfeiture interest rate for any life insurance policy issued in a particular calendar year beginning on and after the operative date of the *Valuation Manual* shall be equal to 125% of the calendar year statutory valuation interest rate defined for the NPR in the *Valuation Manual* for a life insurance policy with nonforfeiture values, whether or not such sections apply to such policy for valuation purposes, rounded to the nearer one-quarter of 1%, provided, however, that the nonforfeiture interest rate shall not be less than the applicable interest rate used to meet the definition of life insurance in the Cash Value Accumulation Test under Section 7702 (*Life Insurance Contract Defined*) of the U.S. Internal Revenue Code .

**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.