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May 2, 2024

Rachel Hemphill

Chair, NAIC Life Actuarial (A) Task Force (LATF)

Re: APF 2024-06 (Jumbo Rates)

Dear Chair Hemphill:

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide feedback on APF 2024-06 (Jumbo Rates) which was exposed for public comment after the April 4th session of LATF. Generally, ACLI is supportive of the proposed changes to the current VM-22 that would allow for the use jumbo rates in non-jumbo contracts with commissioner approval.

In addition to the feedback on the exposure questions, we have a general clarifying question on the applicability of this APF. Was the intent to include all annuities, or only group annuities? Our responses below are answered both ways. Our proposed revisions to the APF also address both possibilities.

Question/Cover Page Feedback:

1. *Should the use of jumbo rates for non-jumbo contracts, if elected, be for 1) all non-jumbo contracts, 2) all non-jumbo contracts issued after a given date, or 3) a company-selected subset of contracts with justification from the company (e.g., a company revising the cutoff for jumbo vs. non-jumbo)?*
 - **If Group only:** We would suggest some formulation of option 3, where the company can make an election as of the specified date to either 1) make no change, and continue to use the non-jumbo rates for non-jumbo contracts; 2) prospectively apply the jumbo rates for all non-jumbo contracts; or 3) apply the jumbo rates for all non-jumbo contracts, both prospectively and retrospectively to the operative date of VM-22.
 - **If Group and Individual:** Same as above, except companies can make separate decisions for group and individual contracts.

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2. *Once the company has elected the use of jumbo rates for non-jumbo contracts, should they be allowed to subsequently switch back to non-jumbo rates? If so, should there be a limit to how frequently the company may switch, such as every 3-5 years?*
 - *We do not believe that flexibility is required at this time.*
3. *Should domiciliary commissioner approval be required for the initial election of jumbo rates and/or for any subsequent changes between jumbo and non-jumbo rates?*
 - *We support informing the domiciliary commissioner about the election without requiring approval.*

APF Feedback:

We propose the following changes to APF 2024-06 language to align with our responses to the cover letter questions.

VM-22 Section 3.C.3

Statutory maximum valuation interest rates for non-jumbo contracts are determined and published quarterly by the NAIC on the Industry tab of the NAIC website by the third business day of the quarter. For a given premium determination date, the statutory maximum valuation interest rate is the quarterly statutory maximum valuation interest rate published for the quarter in which the premium determination date falls.

a. For group contracts issued on or after Jan. 1, 2025, a company may elect to consistently determine statutory maximum valuation interest rates for non-jumbo contracts as if they were jumbo contracts.

b. For group contracts issued on or prior to Dec. 31, 2024, but on or after the operative date of the *Valuation Manual* chapter VM-22, a company may elect to consistently determine statutory maximum valuation interest rates for non-jumbo contracts as if they were jumbo contracts if they made the same election for group contracts issued on or after Jan 1, 2025.

c. For individual contracts issued on or after Jan. 1, 2025, a company may elect to consistently determine statutory maximum valuation interest rates for non-jumbo contracts as if they were jumbo contracts.

d. For individual contracts issued on or prior to Dec. 31, 2024, but on or after the operative date of the *Valuation Manual* chapter VM-22, a company may elect to consistently determine statutory maximum valuation interest rates for non-jumbo contracts as if they were jumbo contracts if they made the same election for individual contracts issued on or after Jan 1, 2025.

A company electing using jumbo rates for non-jumbo contracts under any of the above conditions shall notify the Commissioner of the state of domicile of such elections.
, with prior approval of the domiciliary commissioner.

Thank you once again for your consideration of our feedback and we look forward to further discussion at a future meeting of LATF.

Sincerely,

B. Banerji Colin Masterson

cc: Scott O'Neal, NAIC