**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:**

Allow jumbo rates for non-jumbo contracts with commissioner approval.

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-22 Section 3.C.3

January 1, 2024 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.)

**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.

1. 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.
2. [For group contracts issued on or prior to Dec. 31, 2024, but on or after the operative date of 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.]
3. 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.
4. [For individual contracts issued on or prior to Dec. 31, 2024, but on or after the operative date of 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 the conditions in Section 3.C.3.a through Section 3.C.3.b[d] above [shall notify the Commissioner of the state of domicile of such elections / must first receive approval from the Commissioner of the state of domicile for such elections]. Once a company has elected to use jumbo rates for non-jumbo contracts under the conditions in Section 3.C.3.a through Section 3.C.3.b[d] above, the company shall continue to use jumbo rates for all such non-jumbo contracts for future valuations.

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

This is a follow up on SAPWG’s letter that permitted practices do not apply to the minimum valuation requirements laid out in the Valuation Manual. A review confirmed that permitted practices on the Valuation Manual, including on VM-A and VM-C, are not common. The majority either 1) allow the IA method for AG35 business or 2) permit valuation rates to be determined more frequently under certain circumstances. These treatments are reasonable, but there should be a level playing field for all companies. So, these methods are proposed to be incorporated in the Valuation Manual. A separate APF is addressing the frequency of rate determination for funding agreements. The IA Method is being reviewed by SAPWG NAIC support staff, as it involves hedge accounting changes as well as reserve modifications for annuity business.

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| **Dates:** Received | Reviewed by Staff | Distributed | Considered |
| 4/1/24, 5/6/24 | K.K., S.O. |  |  |
| **Notes:** 2024-06 | | | |