**Life Actuarial (A) Task Force Exposure 4/4/24: APF 2024-06 and Exposure Questions**

**Please include comments on the exposure questions in addition to language in APF 2024-06 (on page 2).**

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)?
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?
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?

**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.

A company may elect to consistently determine statutory maximum valuation interest rates for non-jumbo contracts as if they were jumbo contracts, with prior approval of the domiciliary commissioner.

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 |
| 04/01/2024 | K.K |  |  |
| **Notes:** APF-2024-06 | | | |